



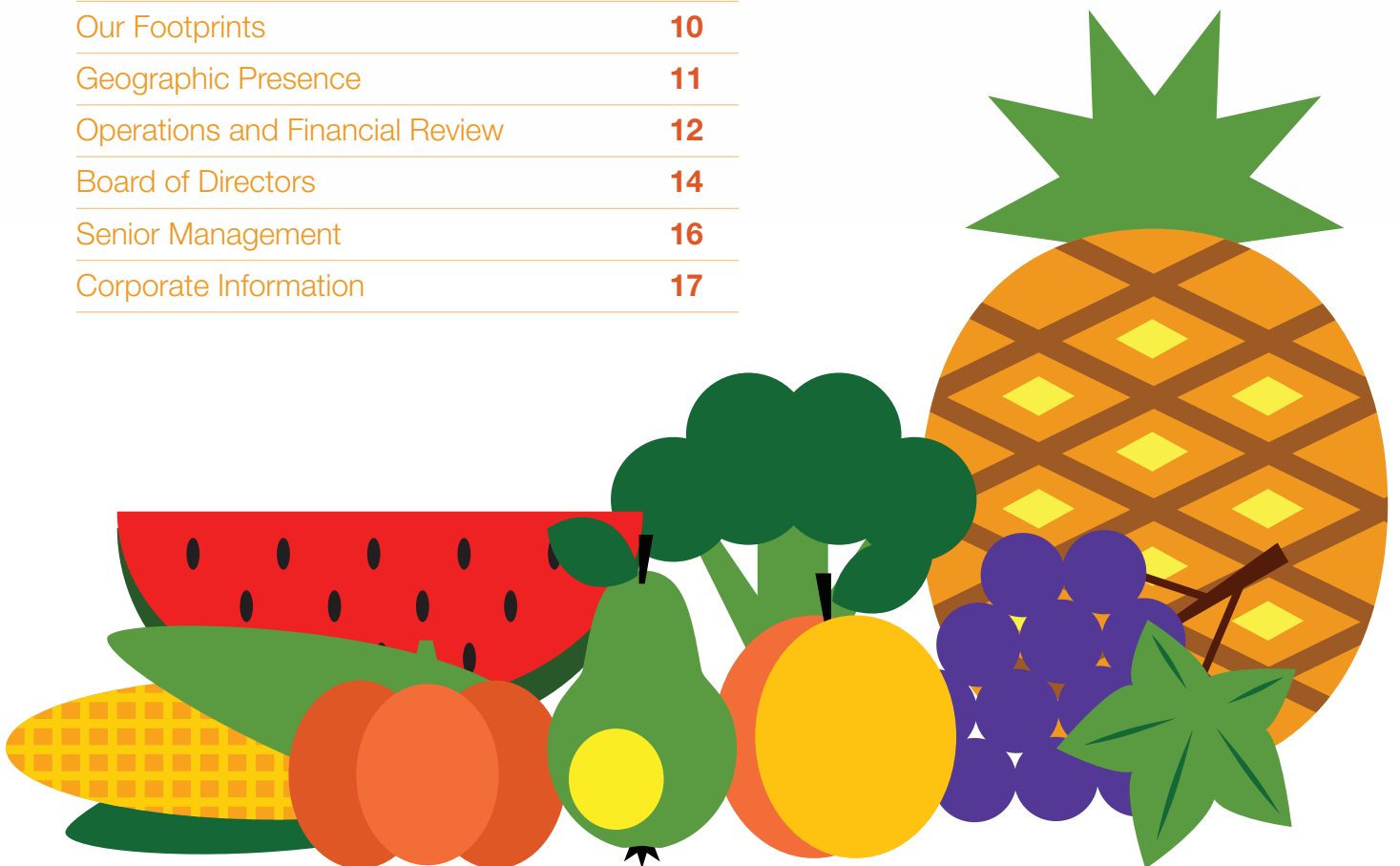
Delivering
FRESHNESS
throughout the year

ANNUAL REPORT
2013



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CORPORATE PROFILE

Headquartered in Shenzhen the PRC, Sino Grandness is an integrated manufacturer and distributor of own-branded 鲜绿园® (“Garden Fresh”) juices as well as canned fruits and vegetables. Since its establishment in 1997, the Group has rapidly grown to become one of the leading brands for loquat fruit juice in China as well as top exporters of canned asparagus, long beans and mushrooms from China. The Group’s products are distributed globally across Europe, North America and in Asia, in renowned supermarkets, discount stores and convenience stores including Lidl, Rewe, Carrefour, Walmart, Huelpeden, Coles, Jusco and Metro.

With stringent quality control and procedures implemented in its manufacturing processes, Sino Grandness’ canned products are compliant with international standards, including Hazard Analysis and Critical Control Point (“HACCP”) food safety system, British Retail Consortium (“BRC”), International Food Standard (“IFS”) and International Organization for Standardization (“ISO”) certifications. As such, Sino Grandness is able to export its canned products to customers globally including the European Union, which has enforced import restrictions (commonly known as “Green Barriers”) since 2000 on the grounds of environmental and food safety issues.

Sino Grandness’ production plants in China are strategically located in four provinces, namely Shandong, Shanxi, Hubei and Sichuan – all of which are key agricultural belts. The production bases straddle different climatic regions so that production activities can be carried throughout the year. The Group’s newest plant in Hubei Province is expected to commence mass production of juices in 2014.

In 2010, the Group successfully launched its own-branded bottled juices Garden Fresh, comprising unique fruits such as loquat and hawthorn to target the huge domestic consumer base in China. In recognition of the Group’s R&D and brand building efforts, Garden Fresh juices have been accorded the “Innovative, Outstanding and Nutritious Award” by the PRC Food Industry in 2010 as well as “Top 100 Brand in China” by the joint agency of Global times, Asia Brand Association and China Economic Herald in 2013.

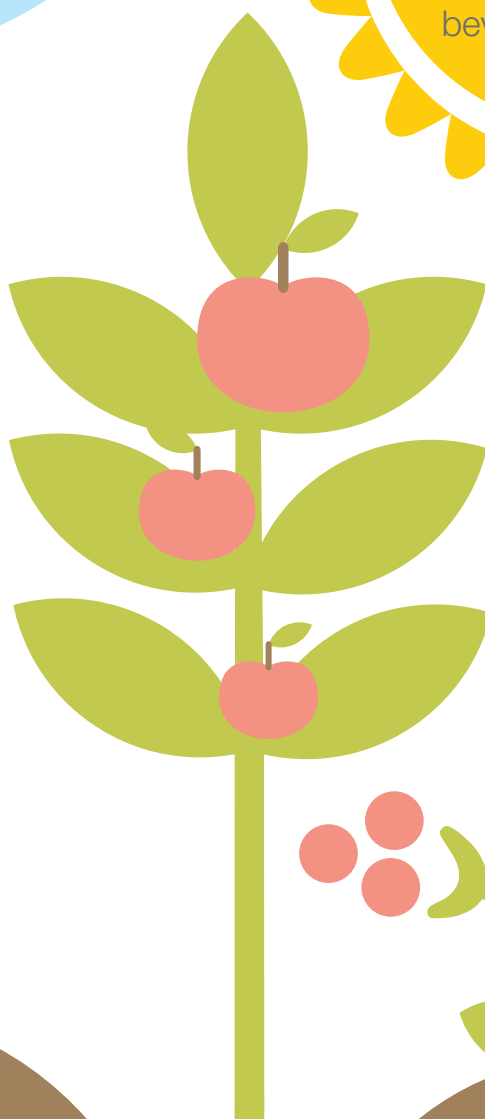
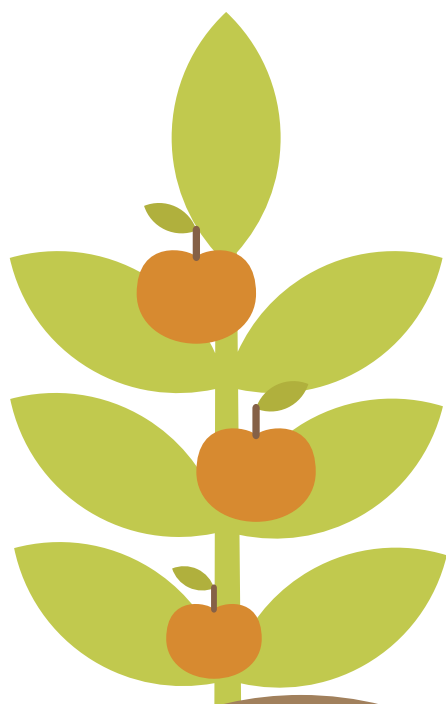
In 2012, the Group successfully launched its own-branded 振鹏达® (“Grandness”) canned fruits, comprising peaches, pears, mandarin oranges and mix fruits to target the huge domestic consumer base in China.

OUR GROWTH

The robust results reflected strong growth momentum across both our own-branded business segments namely beverage and domestic canned products. With increased health awareness, rising dispensable income and growing demand for convenience food and beverage products, we can look forward to another exciting year ahead.



RMB **1,382**
MILLION
in revenue from
beverage segment
alone



OUR PRODUCTS



CHAIRMAN STATEMENT



DEAR SHAREHOLDERS,

Sino Grandness turned in an exceptional performance in 2013. We produced record highs for our topline and bottom-line results, and saw broad-based growth across our business segments. Our focus in improving our economics and emphasis in business-building investments over the years has generated a sturdy momentum across our businesses in 2013.

RECORD REVENUE AND EARNINGS

The Group turned in a record revenue of RMB2,261.0 million in FY2013, up 38.5% from RMB1,632.4 million previously. Net profit was a record high of RMB400.3 million, marking a 38.0% surge from RMB290.1 million in the preceding year. At Group level, gross profit margin also inched up 0.3 percentage points to 38.7%.

Growth was primarily driven by 鲜绿园® (“Garden Fresh”) juices and 振鹏达® (“Grandness”) canned fruits in the domestic market. Both business segments showed strong double digit growth, made possible by growing affluence amongst the Chinese and an increasing demand for healthy lifestyle products. We expect these businesses to continue spearheading growth for the Group given the robust uptake of these products. When operational ready in 2016, our Anhui facility will have at least two production plants – one for the production of fruit and vegetable juices, and the other for canned fruits for the domestic market. These will better equip the Group to meet increasing domestic demand for such products in the years ahead.

EXTENDING REACH TO CONSUMERS

One of the key pillars for the Group’s sustainable growth in the China market would be our distribution networks. Over the years, we have cultivated deep and broad relationships with distributors which provide us with extensive distribution networks that span far and wide across some of China’s key provinces. We will continue to further nurture the solid rapport we have with existing distributors, while sourcing for new partners to further extend our reach to consumers.

R&D AND NEW PRODUCT DEVELOPMENT

Our focus in R&D and product development are distinctive advantages that we have from the competition. Our forte in these areas has enabled us to set the industry benchmark through our beverage products in terms of ingredients, contents and composition of the drinks. We intend to pave the way in the fruit juice industry by introducing one to two new products in the market each year.

Recently in March 2014, we unveiled our new product – aloe vera juice – at the annual F&B tradeshows in Chengdu, Sichuan Province, China. We are pleased to report that our Garden Fresh aloe vera juice elicited strong interest at the tradeshow and we are truly excited with its potential in the market.

A Record Year And New Milestone As Beverage Segment Became Largest Contributor To Group Revenue in FY2013

REAPING THE BENEFITS OF STRONG BRANDING

A key ingredient for our success is our commitment and focus in building a strong branding for the Group and our in-house products. I am heartened to report that we are now reaping the fruits of our brand-building efforts that were undertaken over the years.

In November 2013, our in-house brand Garden Fresh was valued at RMB3.5 billion according to a Brand Value Data Certificate issued by the Asia Brand Association Experts Committee and Asia Brand Research Centre.

Today, I can say with a good measure of confidence that we have effectively taken our consumers through the phases of brand recognition and acceptance, and will continue to work tirelessly in winning their brand loyalty for many years to come.

LOOKING AHEAD

Looking ahead, Sino Grandness will continue to generate value by focusing on the basics – sustainable long term growth, profitability and stability. We have strong and competitive positions in all our lines of business, and have also become more agile to changing market conditions. We will identify and seize opportunities as they present themselves. These factors have served us well over the years, and form the bedrock of the Group achieving record earnings in 2013. We will strive to better ourselves in all aspects of running the business.

At this juncture, it is also timely for me to give an update on our plans to spin-off our beverage business segment via a public listing on an internationally recognised stock exchange. We had in late 2013 appointed relevant professional parties such as investment bankers and legal counsels to commence work on the intended spin-off. We are still at the preliminary stage, but let me take this opportunity to assure you that we will share more information, in a timely manner, once we have reached a significant milestone in the process.

BUILDING THE FUTURE TOGETHER

In concluding, I would like to take a moment to acknowledge the passion, commitment and dedication of employees who have enabled Sino Grandness to grow from strength to strength, and to become the financially strong and resilient company it is today -- one that is poised for further growth.

I wish to also express my gratitude to all our business partners, customers around the globe, and shareholders like yourselves, who have been unwavering in your support.

The future is filled with immense opportunities and possibilities, and I invite you to join hands with us as we continue to build the future together.

Huang Yupeng
Chairman and CEO

主席献词



各位尊敬的股东，

2013年，本集团再创卓越业绩。我们的收益和盈利屡创新高，业务分部全面增长。多年来，我们着力改善经济状况和开展业务建设投资，为我们的业务在2013年带来强劲增长势头。

营业额和盈利刷新记录

本集团2013财政年取得营业额226,102万元人民币，较2012财政年的163,239万元人民币增长38.5%。净利润录得40,031万元人民币，创历史新高，较上一年度的29,013万元人民币激增38.5%。在集团层面，毛利率亦微增0.3个百分点至38.7%。

国内市场增长主要受鲜绿园®果汁及振鹏®达罐头水果驱动。该两个业务分部呈现出强劲的双位数增长，乃因中国人日益富裕且对健康生活产品的需求不断增加。鉴于该等产品需求强劲，我们预期该等业务将继续引领本集团的增长。待2016年我们作好运营筹备工作时，我们的安徽设施将至少拥有两个生产工厂——一个用于为国内市场生产水果及蔬菜汁，另外一个用于为国内市场生产水果罐头。这些将有利于本集团应对未来几年此类产品在内地日益增长的需求。

扩大客户群

本集团于中国市场可持续增长的一大支柱为我们的分销网络。多年来，我们已与分销商培养深厚而广泛的关系，这为我们营造了纵横中国若干主要省份的广泛分销网络。未来，我们将继续与现有分销商进一步培养融洽关系，同时物色新的合作夥伴以进一步扩大客户群。

研发及新产品开发

我们专注于研发和新产品开发，使我们在竞争中独具优势。在该等领域的专长使我们凭借饮料产品建立起饮料产品的成分、含量及组成等方面的行业标杆。我们拟每年在市场上推出一至两个新产品，为进军果汁行业铺平道路。

最近，我们于2014年3月在中国四川省成都市年度餐饮展览会上推出新产品——芦荟汁。我们欣然在此向大家报告，鲜绿园芦荟汁在展览会上颇受欢迎，使我们对该产品的市场潜力欣喜不已。

受惠于广大品牌知名度

我们成功的主要源泉在于矢志不渝地为集团和我们的自主产品打造广大品牌知名度。我很高兴地向大家报告，经过数年的不懈努力，我们现在开始收获品牌建设的硕果。

于2013年11月，根据亚洲品牌协会专家系统委员会及亚洲品牌研究中心颁发的品牌价值数据证书，我们的自主品牌鲜绿园价值350,000万元人民币。

今天，我可以满怀信心地表示，我们的品牌实质上已为消费者所认可和接受，而在未来数年，我们将继续竭力赢取消费者对我们的忠诚度。

2013财年是一个创纪录和迈向新里程碑的一年 饮料业务成为集团主要的收入来源

展望未来

展望未来，本集团将专注于长期可持续增长、盈利能力和稳定性这些基本要素，以持续取得价值。我们在各个业务线均呈现良好势头和竞争优势，并能更迅速地应对不断变化的市况。我们会物色并抢抓所出现的任何机会。上述因素多年来一直推动我们业务不断向前，为2013年集团取得刷新纪录的盈利奠定了基础。我们将竭力在各方面将业务营运推至新高。

另外，借此机会，我想告知各位我们在拟通过于一家国际认可的证券交易所公开上市的方式分拆饮料业务方面的最新情况。我们已在2013年底委聘投资银行及律师等专业人士开展计划分拆事宜。上述事宜尚处在初期阶段，但我在此向大家保证，一旦该事宜达致重要阶段，我们会及时分享更多资料。

携手共创未来

最后，我想向为使本集团不断壮大并成为今日财务稳健的公司而付出努力、提供支持和作出贡献的各位雇员表示感谢。未来本集团的业务定能继续增长。

另外，我想对全体业务夥伴、遍布全球的客户和股东们为本集团提供的坚定支持表达由衷的谢意。

未来充满巨大机会和各种可能，我在此诚邀大家继续和集团携手共创未来。

黄育鹏
主席兼首席执行官

COMPETITIVE STRENGTH

Well-established network
of distributors and
reputable retailers

Established track
record and market

Possess good
technical knowledge

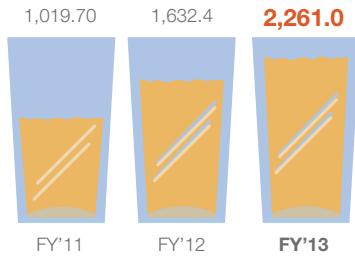
Consistently high
quality canned fruits
and vegetables

Experienced and
dedicated
management team

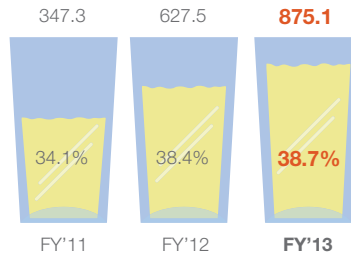
Production plants are
strategically located
in various provinces
in the PRC

FINANCIAL HIGHLIGHTS

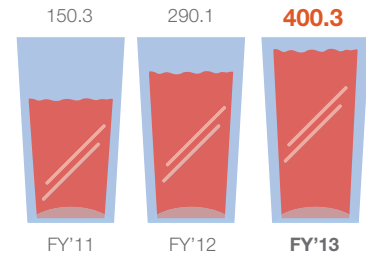
REVENUE (RMB'000)



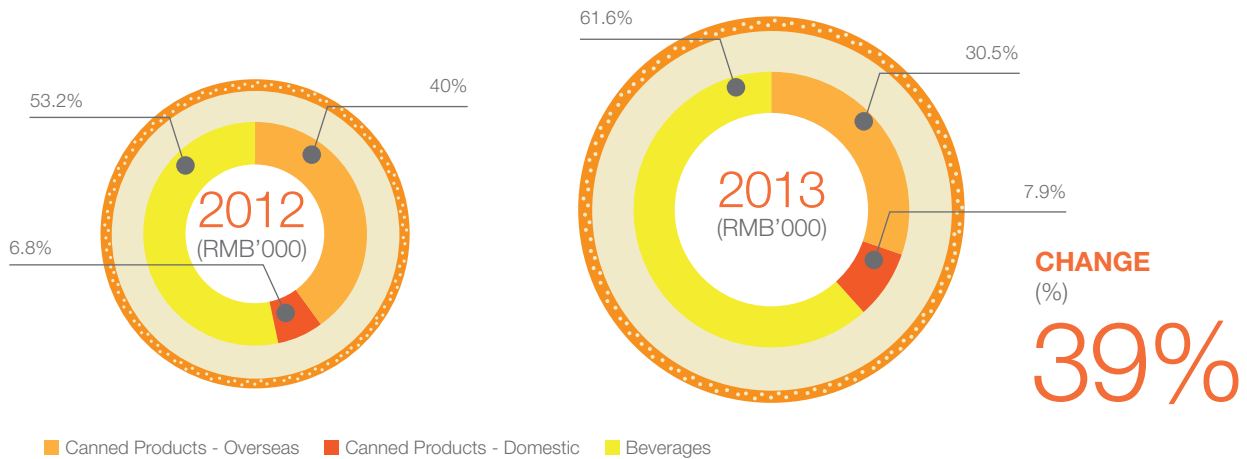
GROSS PROFIT & PROFIT MARGIN (RMB'000)



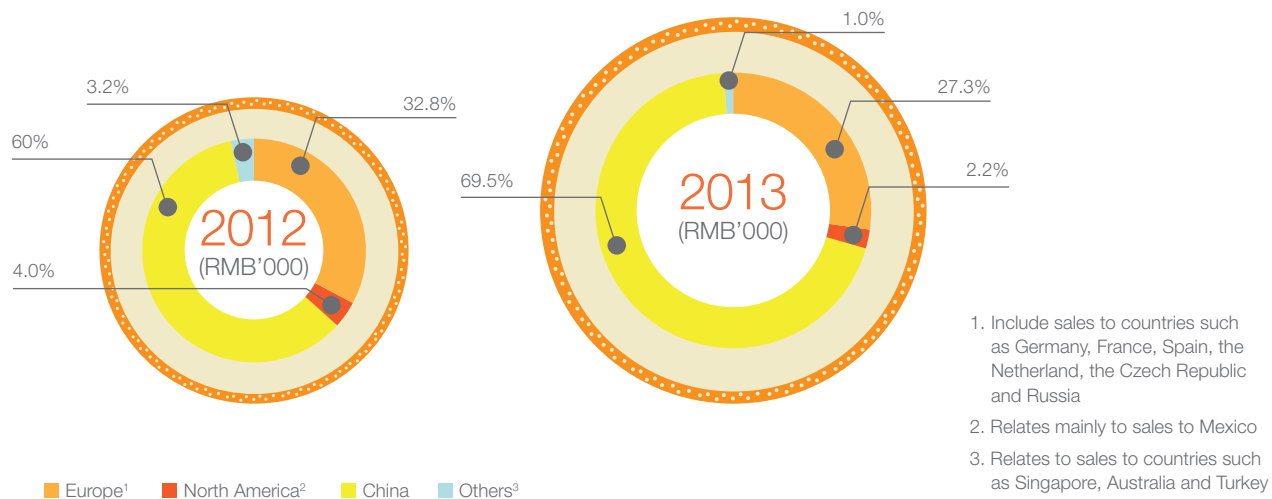
NET PROFIT AFTER TAX (RMB'000)



REVENUE BREAKDOWN BY SEGMENTS



REVENUE BREAKDOWN BY SEGMENTS



1. Include sales to countries such as Germany, France, Spain, the Netherland, the Czech Republic and Russia
2. Relates mainly to sales to Mexico
3. Relates to sales to countries such as Singapore, Australia and Turkey

OUR FOOTPRINTS

The Group's sustained efforts in building brand value have yield positive results as evidenced by the growing brand awareness and brand equity.





Geographic Presence

- AUSTRALIA
- CHINA
- FRANCE
- GERMANY
- TURKEY
- THE CZECH REPUBLIC
- MEXICO
- RUSSIA
- SINGAPORE
- SPAIN
- NETHERLANDS

OPERATIONS AND FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS FOR 2013

Financial Highlights	FY2013	FY2012	Increase %
RMB (million)			
Revenue	2,261.0	1,632.4	38.5%
Gross profit	875.1	627.5	39.4%
Gross profit margin	38.7%	38.4%	+0.3ppt
Net profit	400.3	290.1	38.0%

The Group turned in an all-time high for its revenue and net profit for the 12 months ended 31 December 2013. Revenue rose from RMB1,632.4 million in FY2012 to RMB2,261.0 million in FY2013, marking an increase of 38.5%. This was driven by higher orders of the Groups products across all business segments, especially 鲜绿园® (“Garden Fresh”) juices from the beverage segment and 振鹏达® (“Grandness”) canned fruits from the domestic canned products segment.

On a year-on-year basis, gross profit surged 39.4%, increasing from RMB627.5 million in FY2012 to RMB875.1 million in the latest 12-month period. The increase in overall gross profit was a consequence of an increase in the gross profit margin of canned products in the domestic market, which was partially offset by a decrease in the gross profit margin of canned products distributed overseas.

Gross profit margin inched up 0.3 percentage points to 38.7%, from 38.4% in the latest 12-month period. Improvement in gross profit margin was primarily due to an increase in the average selling prices, which was partially offset by the higher costs of raw materials.

Correspondingly, net profit attributable to shareholders for FY2013 rose by 38.0% to RMB400.3 million, up from RMB290.1 million, previously.

The Group’s financial position remained strong. Our cash and cash equivalents stood at approximately RMB91.3 million as at 31 December 2013, compared to RMB138.3 million previously. The decrease in cash and cash equivalents was mainly due to the acquisition of property, plant and equipment and bank loan repayments. These were partially offset by the issuance of new shares and bank loans obtained during the period under review.

Based on the Group’s latest financial results and weighted average number of ordinary shares, earnings per share for FY2013 was RMB69.7 cents, up from RMB54.6 cents previously. Net asset value per ordinary share rose to RMB229.3 cents, from RMB156.3 cents in the preceding year.



SEGMENTAL RESULTS & PERFORMANCE REVENUE

Product Segment	FY2013	FY2012	Increase
	RMB'000	RMB'000	%
Canned Products			
– Overseas	690,116	655,903	5.2
– Domestic	188,624	103,335	82.5
Beverage	1,382,278	873,149	58.3
Total	2,261,018	1,632,387	38.5

The Group registered higher sales across the board, with the domestic canned products segment and the beverage segment spearheading growth with double-digit percentage increases on a year-on-year basis.

Sales revenue for domestic canned food surged 82.5% from RMB103.3 million in FY2012 to RMB188.6 million in FY2013. The beverage segment witnessed a significant increase of 58.3% in sales revenue to RMB1,382.3 million, up from RMB873.1 million previously. These were mainly



driven by the growing affluence of the PRC market, coupled with an increasing awareness for a healthy lifestyle, and therefore, a greater demand for the Group's convenience food and beverage products.

Towards the end of 2013, the Group's Hubei plant also completed the installation of fruit juice production facilities. Together with the successful expansion of the distributor network for Garden Fresh juices to more than 200 distributors spanning more than 20 provinces in China, the Group is well-poised for further growth, given the larger customer base and expanded production capacity.

The business segment for overseas canned products also delivered a steady set of results, as sales revenue rose 5.2% from RMB655.9 million in FY2012 to RMB690.1 million in the latest financial year. The Group's diversified overseas customer base comprising major supermarket chains and discount stores formed the bedrock foundation for Sino Grandness' solid footing in the overseas markets

such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, North America, Australia, Turkey and Singapore. Growth was largely driven by strong demand for the Group's key export product – asparagus.

GROSS PROFIT

Product Segment	FY2013	FY2012	Increase/ (Decrease)
	RMB'000	RMB'000	%
Canned Products			
– Overseas	212,294	212,617	(0.2)
– Domestic	83,312	48,772	70.8
Beverage	579,452	366,138	58.3
Total	875,058	627,527	39.5

Gross profit for domestic canned food held steady at RMB212.3 million in FY2013, while the two remaining business segments turned in significant increases in gross profits. Gross profit for domestic canned products spiked 70.8% from RMB48.8 million to RMB83.3 million, while the beverage segment jumped 58.3% from RMB366.1 million to RMB579.5 million.

GROWING FROM STRENGTH TO STRENGTH

The Group will continue to build on its winning formula to capitalise on market opportunities overseas, as well as in the domestic market. Key ingredients which will continue to drive the business will include:

- Strategic use of advertising and promotional activities to heighten awareness and brand value of Garden Fresh juices and Grandness canned products
- Expanding distribution networks both overseas and in the domestic front
- Expanding production capacity at strategic locations
- Maintaining R&D efforts to expand product portfolio, thereby appealing to a wider market

Going forward, the Group will execute these initiatives to the best of its ability, so as to ensure that it continues to grow from strength on strength in years to come.

BOARD OF DIRECTORS

HUANG YUPENG (黄育鹏)

Chairman and CEO



Mr Huang Yupeng (黄育鹏) is the Chairman, CEO and founder of our Group. He is responsible for overseeing the overall management and operations, formulating the business model and growth strategies. Huang Yupeng received his diploma in Foreign Economic Law from the Shenzhen Teaching Institute in 1988. Immediately prior to the establishment of Shenzhen Grandness, Huang Yupeng was with Shenzhen Foreign Trade and Economic Development Co., Ltd from 1987 to 1997, where he last held the position of Vice General Manager. In 2002, he was elected "Elite Entrepreneurs" and "Elite Manager" of Yongji City, Shanxi Province. In 2005, he was awarded "Honorary Citizen of Yongji City" by Yongji Municipal Government. From April 2004 to March 2008, Huang Yupeng was the People's Representative of Yongji City and a member of the Standing Committee of People's Congress in Yongji City. He is currently a member of the Qionglai Municipal Committee of the Chinese People's Political Consultative Conference. He is elected as Vice President of Shenzhen Municipal Association for Development and Promotion of Medium and Small Enterprises, Vice President of Shenzhen Municipal Information Association, Vice President of Shenzhen- Sichuan Trade and Economic Promotion Association, and Vice President of Qionglai Municipal Federation of Industry and Commerce. He is also a member of Shenzhen Municipal Federation of Entrepreneurs and a standing board member of Sichuan Provincial Association of Canned Industry.

HUANG YUSHAN (黄育珊)

Executive Director



Ms Huang Yushan (黄育珊) is our Executive Director and is responsible for all human resource and administrative matters of our Group. She began her career in 1989 with state-owned Shenzhen Yuehai Hotel Enterprise Co., Ltd where she remained till 2000 and last held the position of assistant to the finance manager. In 2000, she joined Airland Hotel in Dameisha, Shenzhen City as their finance manager and was responsible for the management of the finances of the hotel. In 2002, she joined Fuxing Logistics (Shenzhen) Co., Ltd as their finance manager and was responsible for the management of the company's finances. Huang Yushan joined our Group in 2005 and was the Chief Financial Officer and Vice-President (Human Resource and Administration) for Shenzhen Grandness. In February 2008, with the engagement of our current Financial Controller, Goh Cze Khiang, she focused on the management of the human resource and administration of our Group. Huang Yushan graduated from Shenzhen Radio and TV University in 2003 after reading accountancy there. She is also qualified as an intermediate accountant by the Ministry of Finance (PRC).

ZENG MING (曾明)

Executive Director



Mr Zeng Ming (曾明) is our Executive Director and was appointed on 19 January 2012. Zeng Ming is currently the deputy director of technology of China National Research Institute of Food & Fermentation Industries and is responsible for project planning and technical developments. In 2001, he joined China National Research Institute of Food & Fermentation Industries as sales director and was responsible for sales and marketing. In addition, he was directly involved in front-line work of numerous technology and research and development projects. He obtained his master degree in fermentation engineering in 1996.

SOH BENG KENG (苏明庆)

Lead Independent Director



Mr Soh Beng Keng (苏明庆) is our Lead Independent Director and was appointed on 11 November 2009. He is also the independent director of several other listed companies currently. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management. In 1996, Mr Soh became the director of finance of Heeton Management Pte Ltd and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte Ltd, a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. From 2007 to 2009, he was the Chief Financial Officer of China Fashion Holdings Limited, a public listed company in Singapore. Mr Soh is a full member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

WONG CHEE MENG, LAWRENCE (黄志明)

Independent Director

Mr Wong Chee Meng, Lawrence (黄志明) is our Independent Director and was appointed to our Board on April 2013. Lawrence Wong is the Managing Director of Equity Law LLC and also heads its Corporate and Securities practice. He is an experienced and established corporate practitioner and was previously a partner of reputable law firms and co-headed the Corporate and Securities Practice of his previous firm.

Lawrence's areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance and corporate governance advisory and corporate secretarial work. He has led numerous initial public offerings, reverse take-overs, secondary fund raising and cross-border merger and acquisitions exercises.

Lawrence graduated from the National University of Singapore in 1991 with an honours degree in law on a scholarship from the Public Service Commission of Singapore, and has accumulated an extensive working experience in both the public and the private sectors of the legal profession.

He is an advocate and solicitor in Singapore and a solicitor in Hong Kong SAR. Lawrence currently sits on the board of directors of several public listed companies.

He was recognised as a 'Leading Lawyer' in the 2011 and 2012 editions of IFLR 1000, recommended in the 2013 edition of The Legal 500 Asia Pacific for Corporate and M&A and recognised as the 'Leading Advisor of the Year' by Acquisition International at its 2013 M&A Awards.



ZHU JUN (朱俊)

Executive Director

Mr Zhu Jun (朱俊) is our Executive Director and was appointed on 19 January 2012. He is responsible for the corporate investment of our Group. He graduated from Huanghe Science & Technology University of Henan Province in 1993. In 2000, he joined China Green Foodstuff (Shares) Group Co., Ltd as general manager of investment department and was responsible for investment planning and production of the Group. He was subsequently promoted to chief production officer of the Group in 2006. He joined our Group as general manager of investment department in 2009 and was responsible for investment planning of our Group.



LIU LING (刘凌)

Independent Director

Madam Liu Ling (刘凌) is our Independent Director and was appointed on 18 March 2013. Madam Liu is currently the deputy director of food engineering research & development as well as director of hi-tech food engineering of China National Research Institute of Food & Fermentation Industries. Madam Liu is responsible for development of technology and product for numerous national projects. Madam Liu has more than 30 years of experience in the field of food and biological engineering. From 1982 to 2000, Madam Liu was professor in food and biological engineering of Zhengzhou University of Light Industry. In 2000, Madam Liu joined China National Research Institute of Food & Fermentation Industries. Madam Liu obtained her doctoral degrees of Agriculture from University of Tokyo Japan in 1999.



SENIOR MANAGEMENT

GOH CZE KHIANG (吴芝强)

Chief Financial Officer

Mr Goh Cze Khiang (吴芝强) was appointed as our Chief Financial Officer in February 2008 and is overall responsible for the financial matters of our Group including overseeing our Group's financial reporting, compliance with post-listing obligation, and company secretarial matters. He has been a Certified Chartered Accountant (FCCA) and a Chartered Accountant (CA) since 1998 and 1999 respectively. He has also been a Certified Financial Planner (CFP) since 2001. In 2012, he admitted as member of Institute of Singapore Chartered Accountants (CA Singapore). Prior to joining, He was the financial controller of China Bearing (Singapore) Ltd, a company listed on the SGX-ST since November 2005. He has more than 25 years of experience in accounting, financial management, consulting and taxation.

CHEN SHUICHENG (陈水成)

Chief Technical Officer

Mr Chen Shuicheng (陈水成) is currently the Chief Technical Officer and is in charge of the production technology and quality control of our Group. He had more than 20 years of experience in production and quality control of canned products. In 1990, he joined Yun Xiao County State Owned Canning Factory, where he remained until 1995 and last held position of technical manager (production and technology). In 1995, he joined Yun Xiao County Chang Long Canning Factory as factory manager (production and quality control). In 2001, he joined Zhang Zhou Fu Min Food Factory as factory manager (production and quality control). In 2004, he joined Shanxi Yongji Huaxin Food Co., Ltd, one of our subsidiaries as factory manager and subsequently promoted to technical and quality manager of our Group.

ZHANG GUOMING (张国明)

Deputy Chief Production Officer

Mr Zhang Guoming (张国明) is currently the Deputy Chief Production Officer and is in charge of the production for our Group. He had more than 20 years of experience in production of canned products. In 1998, he joined Shanxi Yongji Huaxin Food Co., Ltd., one of our subsidiaries as warehouse and logistic manager. Between 2003 and 2009, he was the production manager and promoted as deputy general manager in 2010. In 2012, he was appointed as general manager and responsible for the entire operation of Shanxi Yongji Huaxin Food Co., Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Huang Yupeng (Chairman and CEO)
Huang Yushan (Executive Director)
Zeng Ming (Executive Director)
Zhu Jun (Executive Director)
Soh Beng Keng (Lead Independent Director)
Liu Ling (Independent Director)
Wong Chee Meng, Lawrence (Independent Director)
– Appointed on 24 April 2013

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
Liu Ling
Wong Chee Meng, Lawrence

NOMINATING COMMITTEE

Wong Chee Meng, Lawrence (Chairman)
Soh Beng Keng
Liu Ling

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
Wong Chee Meng, Lawrence
Liu Ling

JOINT COMPANY SECRETARIES

Chew Kok Liang (LLB) (Hons)
Wong Chee Meng, Lawrence
– resigned on 24 April 2013
Wong Chuen Shya (Huang Chunxia)
– Appointed on 24 April 2013

REGISTERED OFFICE

Six Battery Road
#10-00
Singapore 048624

COMPANY REGISTRATION NUMBER

200706801H

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS AND REPORTING AUDITORS

Foo Kon Tan Grant Thornton LLP
47 Hill Street, #05-01
Singapore Chinese Chamber of Commerce
& Industry Building
Singapore 179365
Partner-in-charge: Chang Fook Kay
(appointed since financial year ended 2012)
a member of the Institute of Singapore Chartered Accountants

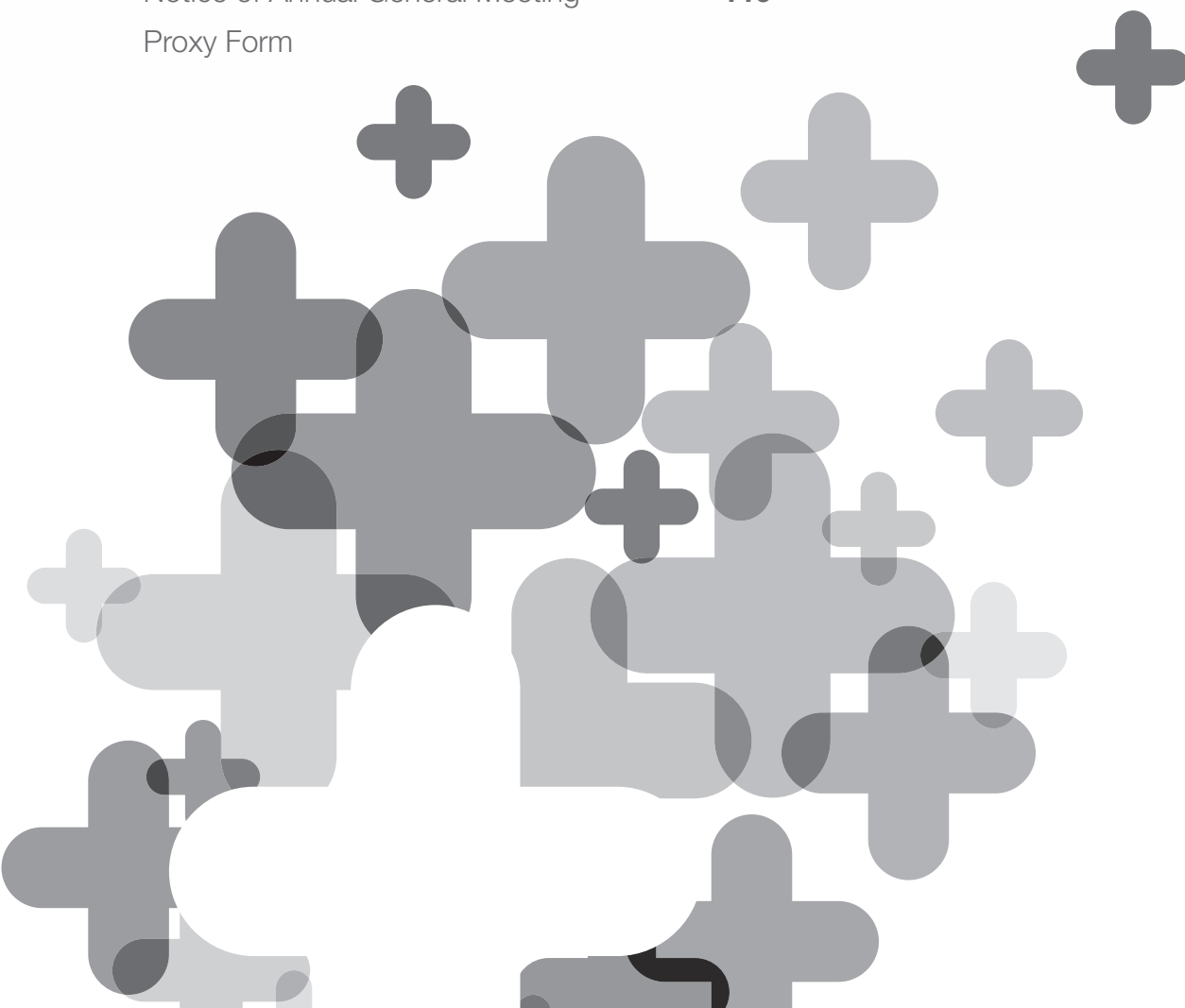
PRINCIPAL BANKERS

Bank of China Co., Ltd.
Shenzhen Central District Branch
Xinghe International Garden
North-east Wing Qunlou
Third Fuhua Road
Shenzhen City
The People's Republic of China

DBS Bank (China) Limited
18/F Resource Building
5001 Shennan Dong Road
Shenzhen City 518001
The People's Republic of China

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CORPORATE GOVERNANCE REPORT

The Board of Directors of Sino Grandness Food Industry Group Limited (the “Company”) and together with its subsidiaries, the “Group”) is committed to setting in place corporate governance practices which are in line with the recommendations of the Code of Corporate Governance 2012 (the “Code”) to provide a structure through which protection of the interest of its shareholders, enhancement of shareholders’ value and corporate transparency are met.

This report sets out the Group’s main corporate governance practices which were in place for the financial year ended 31 December 2013 (“FY2013”) or which will be implemented and where appropriate, explanations are provided for deviation from the Code.

BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The Board’s primary role is to protect and enhance long-term shareholders’ value and returns. The Board meets quarterly and as warranted by particular circumstances, as deemed appropriate by the members of the Board.

The principal functions of the Board include the following:

- provides entrepreneurial leadership, sets strategic directions, and ensures proper conduct of the Company’s business;
- provides the overall strategy of the Group;
- establishes a framework of prudent and effective controls which enables risks to be assessed and managed;
- reviews management performance;
- identifies the key stakeholder groups and recognises that their perceptions affect the Company’s reputation;
- sets the Company’s values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
- considers sustainability issues as part of its strategic formulation.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board is supported by three Board Committees, namely the Nominating Committee, the Remuneration Committees and the Audit Committee, which would make recommendations to the Board. These Board committees have their own defined terms of references and operating procedures, and play an important role in ensuring good corporate governance in the Company and within the Group.

The Company has taken steps to ensure participation of all Directors when selecting Directors to the three Board committees so as to maximize their effectiveness. All Board committees are headed by Independent Directors.

CORPORATE GOVERNANCE REPORT

The Board meets on a regular basis as and when necessary, to address any specific significant matters that may arise. As at the date of this report, the number of Board and Board Committees meetings held and attended by each Board member for FY2013 is set out as follows:

Types of Meetings Names of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Huang Yupeng	4	4	4*	4*	1*	1*	2*	2*
Huang Yushan	4	4	4*	4*	1*	1*	2*	2*
Lin Song ⁽¹⁾	–	–	–	–	–	–	–	–
Soh Beng Keng	4	4	4	4	1	1	2	2
Zhu Jun	4	4	4*	4*	1*	1*	2*	2*
Zeng Ming	4	4	4*	4*	1*	1	2*	2*
Liu Ling	4	3	4	3	1	1	2	1
Wong Chee Meng, Lawrence ⁽²⁾	4	4	4	4	1	1	2	2

(1) Retired on 23 April 2013

(2) Appointed on 24 April 2013

* By invitation

The Company's Articles of Association provide for the Directors to participate in Board and Board Committees meetings by means of telephonic conference or in such manner as the Board may determine to facilitate Board participation.

For incoming Directors who are first-time directors, the Company had provided training especially on the duties as a director, area such as accounting and legal as well as the law and regulations in Singapore such as Companies Act, corporate governance practices, regulations and guidelines from SGX-ST.

The Directors are encouraged to attend seminars which are aimed at providing them with the latest updates in the relevant regulations, accounting standards and corporate governance practices and guidelines from SGX-ST that affect the Company and/or the directors so as to enable them to better discharge their duties and responsibilities.

The Board has received relevant training to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group, corporate governance practices, regulations and guidelines from SGX-ST.

CORPORATE GOVERNANCE REPORT

Matters Requiring Board Approval

As an added control mechanism, the Company has identified the following areas for which the Board's approval must be sought:

- Approval of quarterly and full year result announcements for release to the Singapore Exchange Securities Trading Limited (the "SGX-ST");
- Approval of the annual reports and audited financial statements;
- Convening of shareholders' meetings;
- Approval of corporate strategies;
- Approval of material acquisitions and disposal of assets; and
- Approval of major investment and funding decisions.

Principle 2: Board Composition and Balance

The current Board of Directors consists of seven members, four of whom are Executive Directors and three of whom are Independent Directors. The Directors of the Company are:

Executive Directors

Huang Yupeng (Chairman and Chief Executive Officer)
Huang Yushan
Zhu Jun
Zeng Ming

Independent Directors

Soh Beng Keng (Lead Independent Director)
Liu Ling
Wong Chee Meng, Lawrence

The Board considers an "Independent Director" as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The independence of each Director is reviewed annually by the Nominating Committee in accordance with the Code's definition of independence. Each Director is required to complete a 'Confirmation of Independence' form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore issued by Audit Committee Guidance Committee ("Guidebook") in October 2008, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code. The Nominating Committee has reviewed the forms completed by each Director and confirmed that at least one-third of the Board comprises Independent Directors.

CORPORATE GOVERNANCE REPORT

The Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board, and is in the midst of making arrangements to change the board composition at the annual general meeting (“AGM”) following the end of financial year commencing on or after 1 May 2016.

The Independent Directors participate actively during Board meeting and would constructively challenge and help develop proposals on strategy and will review performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Nominating Committee is of the view that the Board comprises Directors who have the appropriate mix of expertise and experience, and collectively possess the necessary core competencies to function effectively and make informed decisions overseeing the Company’s business.

Throughout the years, the Independent Directors constructively challenge and assist to develop both the Group’s short-term and long-term business strategies and the implementation by the Management was monitored closely. The Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Independent Directors are encouraged to meet without the presence of the Management so as to facilitate a more effective check on Management.

None of the Independent Directors has served on Board beyond nine years from the date of his/her appointment.

Principle 3: Role of Chairman and Chief Executive Officer (“CEO”)

The Chairman and CEO is Huang Yupeng. As the CEO, he is responsible for the effective management and supervision of daily business operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies, merger and acquisition initiatives and promoting high standards of corporate governance. As the Chairman, he exercises control over the quality, quantity and timeliness of information flow between Management and the Board. He ensures that the Board receives accurate, timely and clear information; Board meetings are held as and when necessary; and set the Board’s meeting agendas. He ensures that effective communication is maintained with the shareholders. The Chairman also encourages constructive relations between the Board and Management; facilitates the effective contribution of Non-Executive Directors in particular; and encourages constructive relations between Executive Directors and Non-Executive Independent Directors.

Although the roles and responsibilities of the Chairman and CEO are vested in Huang Yupeng, major decisions are made in consultation with the Board, where one-third of which comprises Independent Directors. The Board is of the opinion that the process of decision making by the Board has been independent and has been based on collective decisions without any individual or small group of individuals dominating the Board’s decision making.

In line with corporate governance best practices, the Company appointed Soh Beng Keng as the Lead Independent Director of the Company with effect from 11 November 2009. The Lead Independent Director will lead and coordinate the activities of the Independent Directors and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to Shareholders who have concerns which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer (“CFO”) has failed to resolve or for which such contact is inappropriate.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The Nominating Committee (“NC”) comprises three members, all of whom are Independent Directors. The members of the NC are:

Wong Chee Meng, Lawrence (Chairman)
Soh Beng Keng
Liu Ling

The NC is governed by its written terms of reference. The NC makes recommendation to the Board on all nominations for appointment and re-election of Directors to the Board, and the Board committees. It ascertains the independence of Directors and evaluates the Board’s performance. The NC assesses the independence of Directors, based on the guidelines set out in the Code, the Guidebook and any other salient factors.

Following its annual review, the NC has affirmed the independence of Soh Beng Keng, Wong Chee Meng, Lawrence and Liu Ling. The NC, in recommending the nomination of any Director for a re-election, considers the contribution of the Director, which includes his attendance record, overall participation, expertise, strategic vision, business judgment and sense of accountability.

The NC ensures that the Board and its Board Committees members are best suited for their respective appointments and able to discharge their responsibilities as such members of the Board and/or Board Committees. In addition, the selection of Directors requires careful assessment to ensure there is an equitable distribution of responsibilities among the Directors.

In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members, to identify desirable competencies for a particular appointment. In so doing, it strives to source for candidates who possess the skills and experience that will further strengthen the Board, and are able to contribute to the Company in relevant strategic business areas, in line with the growth and development of the Group.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address the competing time commitments.

Pursuant to the Company’s Articles of Association, every Director must retire from office at least once every three years by rotation. Directors who retire are eligible to offer themselves for re-election. The CEO, as a Director, is subject to the same retirement by rotation provisions as the other Directors and such provisions will not be subject to any contractual terms that he may have entered into with the Company. Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC has reviewed and recommended the re-election of Huang Yupeng, Huang Yushan and Wong Chee Meng, Lawrence who are retiring at the forthcoming Annual General Meeting to be held on 28 April 2014 (the “forthcoming AGM”). Wong Chee Meng, Lawrence will, upon re-election as a Director, remain as the Chairman of Nominating Committee and member of Audit and Remuneration Committees. The Board has accepted the recommendations and the retiring Directors who will be offering themselves for re-election.

CORPORATE GOVERNANCE REPORT

Where a vacancy arises, the NC will consider each candidate for directorship based on the selection criteria determined after consultation with the Board and after taking into consideration the qualification and experience of such candidate, his ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives. Thereafter, the NC will recommend the candidate to the Board for approval. Under the Articles of Association of the Company, a newly-appointed Director shall retire at the AGM following his appointment and he shall be eligible for re-election.

Key information regarding the Directors are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies and Major Appointments	Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments
Huang Yupeng	20 April 2007	25 April 2012 (to be re-elected at the forthcoming AGM)	Nil	Nil
Huang Yushan	29 August 2008	18 April 2011 (to be re-elected at the forthcoming AGM)	Nil	Nil
Soh Beng Keng	11 November 2009	23 April 2013	<u>Listed Companies</u> 1. China Haida Ltd. 2. ISDN Holdings Limited 3. Ziwo Holdings Ltd.	<u>Listed Companies</u> 1. Yamada Green Resources Limited
Zhu Jun	19 January 2012	25 April 2012	Nil	Nil
Zeng Ming	19 January 2012	25 April 2012	Nil	Nil
Liu Ling	18 March 2013	23 April 2013	Nil	Nil
Lin Song ⁽¹⁾	11 November 2009	Retired on 23 April 2013	–	–
Wong Chee Meng, Lawrence ⁽²⁾	23 April 2013	(to retire at the forthcoming AGM)	<u>Listed Companies</u> 1. Ziwo Holdings Ltd. 2. Artivision Technologies Ltd.	<u>Listed Companies</u> 1. Juken Technology Limited 2. WE Holdings Limited 3. Harry's Holdings Ltd

(1) Re-tired on 23 April 2013

(2) Appointed on 24 April 2013

Note:

The profile and relevant information of the members of the Board are set on pages 14 to 15 of the Annual Report. The Directors' interests in shares are as disclosed in page 36 of the Report of the Directors.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

In line with the principles of good corporate governance, the NC had implemented and continued with an annual performance evaluation process to assess the effectiveness of the Board as a whole. Each Director completes an evaluation form to assess the overall effectiveness of the Board as a whole. The appraisal process focused on the evaluation of factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with Senior Management and Directors' standards of conduct. The purpose of the evaluation process is to increase the overall effectiveness of the Board. The NC has decided unanimously, that the Directors will not be evaluated individually but factors taken into consideration for their re-nomination are the extent of their attendance, participation and contribution in the proceedings of the meetings. The results of the evaluation are used constructively by the NC to identify areas of improvements and recommend to the Board the appropriate action.

The NC, in considering the re-appointment of any Director, had considered but not limited to the attendance record at meetings of the Board and Board Committees, the intensity of participation in the proceedings at meetings and quality of contribution made.

Principle 6: Access to Information

To allow Directors have sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed in advance to the Board prior to its meetings. The Management's proposals to the Board for decisions provide background and explanatory information. This facilitates meaningful, deliberated discussions to focus on questions that the Directors may have. The Directors are given separate and independent access to the Group's senior Management and the Company Secretaries to address any enquiries at all times.

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective Chairman, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

The Company Secretaries or their representatives attend Board and Board Committees meetings and assist the Chairmen in ensuring that proper Board procedures at such meetings are followed so that the Board and Board Committees function effectively. Together with the Management, they assist the Chairmen in ensuring that the Company complies with the requirements of the Singapore Companies Act, the Listing Manual of the SGX-ST and other relevant rules and regulations that are applicable to the Company. The appointment and removal of the Company Secretaries will be subject to the approval of the Board.

The Directors may seek professional advice in the furtherance of their duties and the costs will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises three members, all of whom are Independent Directors. The members of the RC are:

Soh Beng Keng (Chairman)
Wong Chee Meng, Lawrence
Liu Ling

CORPORATE GOVERNANCE REPORT

The RC is governed by its written terms of reference. The RC has reviewed the framework of remuneration for the Directors and key management personnel, and determines specific remuneration packages for the CEO, each Executive Director and CFO. The recommendations of the RC is made in consultation with the CEO and submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

In structuring and reviewing the remuneration packages, the RC seeks to align interests of Directors with those of shareholders and link rewards to corporate and individual performance as well as roles and responsibilities of each Director. The Directors' fee to be paid to Directors are subject to shareholders' approval at the forthcoming AGM on 28 April 2014.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The objective is to ensure competitive compensation is in place to build and retain capable and committed Management.

The RC will review the Company's obligations of the service agreements of the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Company will take into account the competitiveness of the remuneration packages as compared to the market norms, the Group's performance as well as the contribution and performance of each Director which will be aligned with the interests of shareholders and promote the long-term success of the Company.

On 23 September 2013, the shareholders of the Company approved the adoption of an employee share option scheme know as Sino Grandness Employee Share Option Scheme ("ESOS"). The grants of options are vested over a period of time through a prescribed vesting schedule. The RC is also responsible for administering the ESOS with the objective of rewarding and retaining qualified and experienced personnel and attracting Non-Executive Directors with strong capabilities and high performance standards to work towards growth and long-term success of the Company and better align their interests with the interests of shareholders. The details of the grant of options are disclosed in Directors' Report on page 38.

Executive Directors do not receive directors' fees. The remuneration for the Executive Directors comprises a basic salary component and a variable component, namely the annual bonus. The latter is based on the performance of the Group as a whole and their individual contribution and performance.

The Company entered into a Service Agreement with our Chairman and CEO, Huang Yupeng. The Service Agreement is renewable automatically for a further period of 3 years unless terminated by either party by not less than six months' notice in writing. There is no change in the terms of the said agreement.

The remuneration of Non-Executive Directors will be appropriate to the level of contribution, taking into account factors such as effort and time spent in the fulfillment of their duties, as well as the responsibilities of the Non-Executive Directors. Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure of Remuneration

Company's Directors and key management personnel receiving remuneration from the Group for FY2013 are as follows:

Remuneration Band	Number of Directors	
	2013	2012
Executive Directors		
S\$1,500,000 and above	1	1
S\$250,000 to below S\$1,500,000	–	–
Below S\$250,000	3	3
Total	4	4
Key Executive Officers		
Below S\$250,000	5	5
Total	5	5

A breakdown of each individual Director's and key management personnel's remuneration, in percentage terms showing the level and mix for FY2013, is as follows:

	Fees S\$'000	Salary S\$'000	Bonus S\$'000	Share Options S\$'000	Others S\$'000	Total S\$'000
Directors						
S\$1,500,000 and above						
Huang Yupeng	–	276	1,440	0	–	1,716
Below S\$250,000						
Huang Yushan	–	17	–	0	–	17
Lin Song ⁽¹⁾	15	–	–	0	–	15
Zhu Jun	–	31	–	0	–	31
Soh Beng Keng	50	–	–	0	–	50
Zeng Ming	–	36	–	0	–	36
Liu Ling	20	–	–	0	–	20
Wong Chee Meng, Lawrence ⁽²⁾	30	–	–	0	–	30

	Fees %	Salary %	Bonus %	Share Options %	Others %	Total %
Key Management Personnel						
Below S\$250,000						
Goh Cze Khiang	–	92	8	0	–	100
Cheng Shuicheng	–	100	–	0	–	100
Tian Junfeng	–	100	–	0	–	100
Qiang Xinlu	–	100	–	0	–	100
Zhang Guoming	–	100	–	0	–	100

(1) Retired on 23 April 2013

(2) Appointed on 24 April 2013

CORPORATE GOVERNANCE REPORT

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for FY2013 is approximately S\$206,000.

None of the Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company has received any termination, retirement, post-employment benefits for FY2013.

Other than the Chairman and CEO, Huang Yupeng, who is the brother of Huang Yushan, an Executive Director, there is no employee of the Group who is an immediate family member of a Director or substantial shareholder whose remuneration exceeds S\$50,000 for FY2013.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequately but not excessively remunerated.

Principle 10: Accountability

The Board understands its accountability to the shareholders on the Group's position and performance. In this respect, in the discharge of its duties to the shareholders, the Board, when presenting annual audited financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. Management currently provides the Board with relevant information on the Group's performance, financial position and prospects on a regular basis.

The Management understands its role to provide all members of the Board with management accounts and such explanation and information in a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11: Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as manage risks. The Board also recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The external and internal auditors conducted annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any material non-compliance in internal controls coupled with recommendation for further improvement are reported to the AC. The AC will also follow-up on the actions taken by the Management on the recommendations from the internal and external auditors. In addition, a copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

For FY2013, the Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are sufficiently effective.

CORPORATE GOVERNANCE REPORT

Based on the reports submitted by the external and internal auditors, including the reviews by the Management and the various management controls put in place, and letter of assurance from the Chief Executive Officer, Chief Financial Officer and the key Executive Officers, the Board with the concurrence of the AC is of the opinion that Group's internal controls are adequate in addressing the financial, operational, compliance and information technology risks for the type and volume of business that the Group currently operates.

The Board notes that the system of internal controls established provides reasonable assurance, but not absolute, against unforeseeable and foreseeable risks to the Company, as all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises three members, all of whom are Independent Directors. The members of the AC are:

Soh Beng Keng (Chairman)
Liu Ling
Wong Chee Meng, Lawrence

The members of the AC are appropriately qualified, having the necessary experience in business management, finance or legal services. The Board is of the view that the AC has sufficient financial management expertise and experience to discharge the AC's functions.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Guidebook, and used as a reference to assist the AC in discharging its responsibilities and duties.

The AC will focus principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, internal controls and the audit function. The AC will meet at least four times a year to perform, inter alia, the following functions:

(a) Financial Reporting

The AC reviews the quarterly, half-yearly and annual results announcements with Management and external auditors before submission to the Board for approval, focusing in particular on significant financial reporting issues and judgments; changes in accounting policies and practices, major risk areas; significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements.

(b) External Audit

The AC reviews, with the external auditors, the audit plans, the audit report and Management's response and actions to correct any noted deficiencies; to discuss problems and concerns, if any, arising from the review and audits. The AC reviews the independence and qualification of the external auditors annually and recommends to the Board the appointment, re-appointment or removal of the external auditors.

CORPORATE GOVERNANCE REPORT

(c) Internal Audit

The AC reviews, with the internal auditors, the internal audit plan, the scope and results of the internal audit including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and ensure annually the adequacy of the internal audit function and monitor Management's response to their findings to ensure that appropriate follow-up measures are taken.

(d) Internal Controls

The AC reviews and evaluates with internal and external auditors on the adequacy and effectiveness of the Company's system of internal controls, including financial, operational, compliance and information technology controls. The AC may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the system of internal control.

(e) Interested Person Transactions

The AC regularly reviews if the Group will be entering into any interested person transactions ("IPTs") and if it does, to ensure that the Group complies with the requisite rules under Chapter 9 of the Listing Manual of the SGX-ST.

(f) Whistle-blowing

The AC reviews arrangements by which staff of the Company and of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis. Foo Kon Tan Grant Thornton LLP, the external auditors of the Company has confirmed that they are Public Accounting Firms registered with Accounting & Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group. Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

The Company has paid the following aggregate amount of fees to Foo Kon Tan Grant Thornton LLP, the external auditors, for services rendered for FY2013:-

Services	Amount (S\$)
Audit service	275,000
Review of ESOS and Convertible bonds' valuation reports	10,000
Non-audit service – Tax fees	2,700
Total	287,700

CORPORATE GOVERNANCE REPORT

Except the professional fees and miscellaneous expenses incurred for audit services, the Company has paid for a total amount of S\$2,700 for non-audit fee (tax fee) to the external auditors during FY2013 of which would not affect their independence.

The AC has direct access to the external auditors and has met with them without the presence of Management for FY2013.

The AC has full access and cooperation of the Management and also full discretion to invite any Director or key management to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

The AC has reviewed and noted that there were no interested person transactions entered into by the Group for FY2013.

In the event that a member of our AC is interested in any matter being considered by our AC, he will abstain from participating in the proceedings in relation to that particular transaction and voting on that particular resolution.

The AC has explicit authority to investigate any matters within its terms of reference. The AC has, within its terms of reference, the authority to obtain independent professional advice at the Company's expense as and when the need arises.

Principle 13: Internal Audit

Due to the proposed spin-off of its beverage business segment under its wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited and its group of subsidiaries for a listing on an internationally recognized stock exchange, the AC has outsourced the performance of the internal audit functions of the Group to Protiviti Shanghai Co., Ltd. The internal auditors will report directly to the AC and administratively to the Chairman and CEO of the Company. To ensure the adequacy of the internal audit function, the AC had reviewed and approved the internal audit plan before the internal audit commenced. The AC will assess and ensure that the internal auditors meet or exceed the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors provide adequate staffing with relevant experience to conduct the internal audits.

The AC, on an annual basis, will assess the adequacy and effectiveness of the Internal Audit by examining the scope of the Internal Audit work and its independence, the qualification and experiences of internal audit team assigned and the internal auditor's reports and its relationship with the external auditors.

CORPORATE GOVERNANCE REPORT

Principle 14: Shareholder Rights**Principle 15: Communication with Shareholders****Principle 16: Conduct of Shareholder Meetings**

In line with the continuous disclosure obligations of the Group, the Company is committed to engage in regular and effective communication with shareholders. It is the Board's policy that shareholders are informed of all major developments that may have an impact on the Group. Information is communicated to shareholders on a timely basis and is made through:

- (i) annual reports that are prepared and issued to all shareholders;
- (ii) quarterly results announcements;
- (iii) media meetings and analyst briefings;
- (iv) press releases; and
- (v) disclosures to the SGX-ST via SGXNET.

The Company does not practice selective disclosure as all material and price-sensitive information is released through SGXNET.

Shareholders are given the opportunity to participate effectively in and vote during the general meetings as well as to express their views and direct questions to the Directors and the Management. Chairmen of the AC, NC, RC and the Board, or members of the respective Board Committees standing-in for them are available to address questions from shareholders.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. Proxies need not be a shareholder of the Company.

Each item of special business included in the notice of the general meetings will be accompanied by full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at general meetings.

To better understand the views of shareholders and investors, the Company holds analyst briefings for the Shareholders and investors in conjunction with the release of the Group's quarterly and full year results to discuss the Group's performance and developments, establish and maintain regular dialogue sessions with shareholders, to gather views or inputs, and address shareholders' concerns.

To enhance and encourage communication with Shareholders and investors, the Company provides the contact information of its Vice President, Investor Relations ("VPIR") in its annual reports and press releases. Shareholders and investors can send their enquiries to the Company's VPIR who can be reached by email or telephone.

CORPORATE GOVERNANCE REPORT

The Company has not formally instituted a dividend policy. The issue of payment of dividend is deliberated by the Board annually having regard to various factors.

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and employees of the Group for the periods (i) commencing two weeks before the announcement of the Company's quarterly financial results and one month before the full financial year results, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

MATERIAL CONTRACTS

Other than that disclosed in the financial statements, the Company or any of its subsidiaries did not enter into any material contracts involving the interest of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 31 December 2013.

RISK MANAGEMENT

Management reviews on an on-going basis, the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategy. The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements on pages 108 to 112.

INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the Listing Manual, the Board and AC regularly reviews if the Company will be entering into any IPT and if it does, to ensure that the Company complies with the requisite rules under Chapter 9 in that all the IPTs are conducted at arm's length and on commercial terms and ensuring that it will not be prejudicial to the interest of the company and its minority shareholders.

Save for disclosed under Interested Persons Transactions in the Company's prospectus dated 13 November 2009, there were no IPTs entered between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2013.

NON-CONFLICT OF INTEREST

Wong Chee Meng, Lawrence, an Independent Director of the Company, has declared to the Directors that for the financial year ended 31 December 2013, he was a partner of RHTLaw Taylor Wessing LLP ("RHTLaw Taylor Wessing") which is the beneficial shareholder of RHT Corporate Advisory Pte. Ltd. ("RHT Corporate Advisory"). We are not presently aware of our conflict of interest arising from his aforesaid roles. He abstains from any voting on any resolution where it relates to the appointment of RHTLaw Taylor Wessing or RHT Corporate Advisory and their related companies for the financial year ended 31 December 2013.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (the “CSR”) plays an essential role in the long-term success of our business. It is important that we align our interests with that of the communities in which we operate in order to have the support of the local communities and government agencies. We believe that our initiatives and emphasis on returning to the community and looking after the welfare of our staff have translated into goodwill for our Group, contributing to high employee retention rate and staff morale.

Environmental Policy

We share our customers’ commitment to the environment and we believe in the importance of caring for our planet working with and encouraging others to do the same. As a company that relies on agricultural products, it makes good business sense and as people living in the world, it is simply the right thing to do.

Commitment to Sustainable Development

Our Directors recognized the importance of being a responsible steward of the land we manage. With this in mind, the Company has established a CSR policy which included the review of the following areas of the Group’s activities:

- (a) to review and recommend the Group’s policy with regards to CSR issues;
- (b) to review the Group’s environmental policies and standards;
- (c) to review the social impact of the Group’s business practices in the communities that it operates in;
- (d) to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
- (e) to review and recommend policies and practices with regard to regulators.

CORPORATE SOCIAL RESPONSIBILITY

Core values of the CSR framework

The Company aims to be recognized as an organization that is transparent and ethical in all its dealings as well as making positive contribution to the community in which it operates. It is committed to being a deeply responsible company in the communities with the following core values in all aspects of its work, including the fulfillment of its social responsibility, toward achieving sustainable development:

- Clear direction, strong leadership and open communication;
- Customer focus;
- Equality, fairness and transparency;
- Development of positive working relationships with others; and
- Respect for people

Toward Sustainability Strategies

The Company will seek to achieve corporate and social objectives by focusing on four strategic areas:

Good Relations – adopting an employee relations strategy to enhance management and employee interactions and to promote work-life balance and health among employees.

Community impact – encouraging staff to be involved in projects in support of the wider community.

Fair Trade – providing farmers decent working conditions and fair terms of trade for farmers so as to maintain local sustainability.

Environment – developing environmental management practices that minimize adverse impact on the environment.

The CSR and commitments are integral to the Company's overall business strategy. As a result, the Company believes it delivers benefits to the Company and its stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others.

The Company will, as and when necessary, provide updates on the status of its implementation of its CSR policy in the annual report of the Company.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2013.

Names of directors

The directors of the Company in office at the date of this report are:

Huang Yupeng
Huang Yushan
Zhu Jun
Zeng Ming*
Soh Beng Keng (Lead independent director)
Wong Chee Meng Lawrence (Independent director) (appointed on 24 April 2013)
Liu Ling (Independent director) (appointed on 18 March 2013)

* with effect from 18 March 2013, Zeng Ming has been re-designated from independent non-executive director to an executive director of the company. Upon re-designation, Zeng Ming has ceased to be the member of the audit, nominating and remuneration committee.

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2013	As at 31.12.2013 and 21.1.2014 [#]	As at 1.1.2013	As at 31.12.2013 and 21.1.2014 [#]
The Company – <u>Sino Grandness Food Industry Group Limited</u>				
Huang Yupeng	117,748,280	235,696,560	–	–

[#] There are no changes to the above shareholdings as at 21 January 2014.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 21(e) to the financial statements.

Share option scheme

At an Extraordinary General Meeting of the Company held on 23 September 2013, shareholders approved the Sino Grandness Employee Share Option Scheme (the "ESOS Scheme"). Under the Scheme, the directors and employees of the Group are eligible to participate in the Scheme. Controlling shareholders or their associates are also eligible to participate in the ESOS Scheme, provided that they meet the criteria set out below:–

- (a) written justification has been provided to shareholders for their participation at the introduction of the ESOS Scheme or prior to the first grant of options to them and each such participation has been specifically approved by independent shareholders in separate resolutions in a general meeting for such controlling shareholders or their associate;
- (b) the actual number and terms of any options to be granted to them have been specifically approved by independent shareholders in a general meeting in separate resolutions for each such controlling shareholders in a general meeting in separate resolutions for each such controlling shareholder or their associates;
- (c) all conditions for their participation in the Scheme as may be required by the regulation of the SGX-ST from time to time are satisfied;
- (d) the aggregate of number of shares comprised in options granted to the controlling shareholders and their associates shall not exceed 25% of the total number of shares which may be granted under the ESOS Scheme; and
- (e) the aggregate of number of shares comprised in options granted to the controlling shareholders or their associates shall not exceed 10% of the total number of shares which may be granted under the ESOS Scheme.

The total number of shares over which options may be granted shall not exceed 15% of the issued share capital (excluding Treasury Shares) of the Company on the date immediately preceding the Date of Grant.

The Scheme is administered by a Remuneration Committee comprising Soh Beng Keng (Chairman), Wong Chee Meng Lawrence and Liu Ling, and duly authorised and appointed by the Board of Directors of the Company.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Share options granted

On 14 November 2013, the Company granted options to subscribe 16,710,000 ordinary shares of the Company at exercise price of S\$0.60 per share ("2013 Options"). The options are exercisable any time after the second anniversary of the date of grant over 10 years. The total fair value of the 2013 options granted was estimated to be S\$6,952,937 using the Binomial Option Pricing Model. Particulars of the options granted to directors during the financial year are:

Name of directors	No. of unissued ordinary shares for the Company under option			
	Options granted during the financial year ended 31.12.2013	Aggregate options granted since commencement of ESOS Scheme to 31.12.2013	Aggregate options exercised since commencement of ESOS Scheme to 31.12.2013	Aggregate options outstanding as at 31.12.2013
Zhu Jun	800,000	800,000	–	800,000
Zeng Ming	550,000	550,000	–	550,000
Soh Beng Keng	200,000	200,000	–	200,000
Wong Chee Meng	100,000	100,000	–	100,000
Liu Ling	100,000	100,000	–	100,000
Other employees (Other than directors)	6,150,000	6,150,000	–	6,150,000
Sub-total	7,900,000	7,900,000	–	7,900,000
Name of directors and associate of a controlling shareholder of the company				
Huang Yushan ¹	8,810,000	8,810,000	–	8,810,000
Grand total	16,710,000	16,710,000	–	16,710,000

¹ The options are exercisable after the second anniversary of the date of grant over ten years period and subject to compliance with the terms and conditions of the option grant. The options should be exercised in respect of 1,101,250 shares equally.

Except for options granted to Huang Yushan, the options are exercisable any time after the second anniversary of the date of grant over a ten year period.

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other Company.

No options to take up unissued shares of the subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of the options to take up unissued shares of the Company.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Audit committee

The audit committee at the end of the financial year comprises the following members:

Soh Beng Keng (Chairman)
Wong Chee Meng Lawrence (appointed on 24 April 2013)
Liu Ling (appointed on 18 March 2013)

All members of the Audit Committee are non-executive directors.

The audit committee performs the functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 as well as the independent auditor's report thereon; and
- (iv) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to The Board of Directors that the auditor, Foo Kon Tan Grant Thornton LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Other information required by the SGX-ST

Material information

Apart from the Service Agreements between the executive director, Huang Yupeng and the Company, there are no material contract to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There was no interested person transactions as defined in Chapter 9 of SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance".

On behalf of the Directors

HUANG YUPENG

ZENG MING

Dated: 1 April 2014

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

HUANG YUPENG

ZENG MING

Dated: 1 April 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Sino Grandness Food Industry Group Limited (“the Company”) and its subsidiaries (“the Group”), set out on pages 42 to 116, which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheets and to maintain accountability of assets.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore, 1 April 2014

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	The Company		The Group	
		31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
ASSETS					
Non-Current					
Land use rights	5	-	-	55,057,405	59,521,871
Property, plant and equipment	6	13,261	19,544	738,064,534	529,302,335
Subsidiary	7	-	-	133,974	267,990
Subsidiaries	8	1,847,996	1,847,996	-	-
Amount owing by subsidiaries	9	230,892,052	145,503,048	-	-
Deferred tax assets	10(a)	-	-	1,677,904	1,943,252
		232,753,309	147,370,588	794,933,817	591,035,448
Current					
Inventories	11	-	-	45,957,481	52,442,307
Trade and other receivables	12	54,298	10,481	921,483,545	556,166,331
Cash and cash equivalents	13	4,178,582	474,153	91,329,350	138,341,543
		4,232,880	484,634	1,058,770,376	746,950,181
Total assets		236,986,189	147,855,222	1,853,704,193	1,337,985,629
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	282,577,563	167,896,912	282,577,563	167,896,912
Retained profits		(77,726,410)	(50,237,261)	990,554,447	620,492,056
Other reserves	15	2,220,065	-	73,549,011	40,294,721
		207,071,218	117,659,651	1,346,681,021	828,683,689
Non-controlling interests		-	-	4,069,736	4,924,479
Total Equity		207,071,218	117,659,651	1,350,750,757	833,608,168
Liabilities					
Non-Current					
Convertible bonds	17	-	-	-	332,318,481
Deferred tax liabilities	10(b)	20,240,920	20,240,920	20,240,920	20,240,920
		20,240,920	20,240,920	20,240,920	352,559,401
Current					
Trade and other payables	18	9,674,051	8,163,618	85,977,335	82,392,771
Notes payable	19	-	-	1,550,000	8,700,000
Current tax payable		-	1,509,856	32,729,998	16,651,289
Bank borrowings	16	-	-	13,000,000	44,000,000
Convertible bonds	17	-	-	349,455,183	-
Amount owing to subsidiary	9	-	281,177	-	-
Amount owing to related parties	20	-	-	-	74,000
		9,674,051	9,954,651	482,712,516	151,818,060
Total equity and liabilities		236,986,189	147,855,222	1,853,704,193	1,337,985,629

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 RMB	Year ended 31 December 2012 RMB
Revenue	4	2,261,018,480	1,632,387,153
Cost of sales		(1,385,960,408)	(1,004,859,715)
Gross profit		875,058,072	627,527,438
Other operating income	21(a)	12,860,044	7,506,914
Distribution costs	21(b)	(218,243,815)	(166,264,817)
Administrative expenses	21(c)	(94,787,099)	(53,720,320)
Other operating expenses		(238,474)	(122,115)
Finance costs	21(d)	(19,101,980)	(16,730,085)
Profit before taxation	21(f)	555,546,748	398,197,015
Taxation	22	(155,237,797)	(108,071,660)
Profit for the year		400,308,951	290,125,355
Other comprehensive income representing items that will not be reclassified to profit or loss in subsequent periods	23	-	(15,771,920)
Total comprehensive income		400,308,951	274,353,435
Profit Attributable to:			
Equity holders of the parent		401,096,616	289,693,483
Non-controlling interests		(787,665)	431,872
		400,308,951	290,125,355
Total Comprehensive Income Attributable to:			
Equity holders of the parent		401,096,616	273,921,563
Non-controlling interests		(787,665)	431,872
		400,308,951	274,353,435
Earnings per share:	24	Cents RMB	Cents RMB
- Basic		69.7	54.6
- Diluted		69.4	54.6

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Share capital RMB	Retained profits RMB	Share option reserve RMB	Merger reserve RMB	Statutory common reserve RMB	Total attributable to equity holders of the parent RMB	Non-controlling interests RMB	Total RMB
Balance as at 1 January 2012		167,896,912	373,867,873	-	(31,413,600)	44,410,941	554,762,126	4,492,607	559,254,733
Profit for the year		-	289,693,483	-	-	-	289,693,483	431,872	290,125,355
Other comprehensive income	23	-	(15,771,920)	-	-	-	(15,771,920)	-	(15,771,920)
Total comprehensive income for the year		-	273,921,563	-	-	-	273,921,563	431,872	274,353,435
Transfer to statutory common reserve		-	(27,297,380)	-	-	27,297,380	-	-	-
Balance as at 31 December 2012		167,896,912	620,492,056	-	(31,413,600)	71,708,321	828,683,689	4,924,479	833,608,168
Profit for the year		-	401,096,616	-	-	-	401,096,616	(787,665)	400,308,951
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	401,096,616	-	-	-	401,096,616	(787,665)	400,308,951
Issuance of shares	14	117,749,746	-	-	-	-	117,749,746	-	117,749,746
Share issuance expense	14	(3,069,095)	-	-	-	-	(3,069,095)	-	(3,069,095)
Share-based payment expense under ESOS scheme		-	-	2,220,065	-	-	2,220,065	-	2,220,065
Disposal of a subsidiary	26	-	-	-	-	-	-	(67,078)	(67,078)
Transfer to statutory common reserve		-	(31,034,225)	-	-	31,034,225	-	-	-
Balance as at 31 December 2013		282,577,563	990,554,447	2,220,065	(31,413,600)	102,742,546	1,346,681,021	4,069,736	1,350,750,757

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Year ended 31 December 2013 RMB	Year ended 31 December 2012 RMB
Cash Flows from Operating Activities		
Profit before taxation	555,546,748	398,197,015
Adjustments for:		
Depreciation of property, plant and equipment	34,498,927	15,608,848
Gain on disposal of a subsidiary	(5,079,734)	–
Amortisation of land use rights	1,193,216	1,235,489
Amortisation of subsidy	134,016	134,016
Share-based payment expense under ESOS scheme	2,220,065	–
Property, plant and equipment written off	–	27,563
Gain on disposal of property, plant and equipment	(6,975)	–
Interest expense	19,101,980	16,730,085
Interest income	(1,027,782)	(821,542)
Operating cash flows before working capital changes	606,580,461	431,111,474
(Increase)/decrease in deposits pledged with banks	(3,709,163)	6,769,163
Decrease/(increase) in inventories	5,367,886	(16,365,910)
Increase in operating receivables	(368,212,708)	(257,997,185)
Increase in operating payables	10,197,871	18,858,112
Cash generated from operations	250,224,347	182,375,654
Income tax paid	(139,159,088)	(111,093,453)
Interest paid	(1,965,278)	(5,453,873)
Net cash generated from operating activities	109,099,981	65,828,328
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(249,422,586)	(173,646,376)
Disposal of a subsidiary (Note 26)	4,944,229	–
Proceeds from disposal of property, plant and equipment	22,587	–
Interest received	1,027,782	821,542
Net cash used in investing activities	(243,427,988)	(172,824,834)
Cash Flows from Financing Activities		
Net proceeds from issue of convertible bonds	–	238,571,204
Proceeds from issue of ordinary shares (Note 14)	117,749,746	–
Share issuance expense (Note 14)	(3,069,095)	–
Bank loans obtained	13,000,000	86,000,000
Bank loans repaid	(44,000,000)	(117,700,000)
Amount owing to related parties	(74,000)	(460,864)
Amounts owing to the then shareholders	–	(35,819,545)
Net cash generated from financing activities	83,606,651	170,590,795
Net (decrease)/increase in cash and cash equivalents	(50,721,356)	63,594,289
Cash and cash equivalents at beginning of year	132,740,706	69,146,417
Cash and cash equivalents at end of year (Note 13)	82,019,350	132,740,706

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in Singapore on 20 April 2007 as a limited private company under the name of Sino Grandness Food Industry Group Pte. Ltd. On 12 November 2009, the Company was converted into a public company and assumed the present name of Sino Grandness Food Industry Group Limited. The Company was listed on the SGX-ST on 23 November 2009.

The registered office of the Company is located at Six Battery Road, #10-00, Singapore 048624. The principal place of business of the Group is located in 56th Floor Tower A, Union Plaza, No. 5022, Binhe Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi ("RMB") which is the Company's functional currency. All financial information is presented in RMB, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:

Amortisation of land use rights (Note 5)

Land use rights are amortised on a straight-line basis over their estimated useful lives. The Group has been granted rights of use of land of 50 years. The carrying amount of the Group's land use rights as at 31 December 2013 is RMB55,057,405. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of land use rights, therefore future amortisation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2(a) Basis of preparation (Continued)

Significant accounting estimates and judgements (Continued)

Depreciation of property, plant and equipment (Note 6)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2013 are RMB738,064,534 and RMB13,261 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Useful lives of plant and machinery (Note 6)

Plant and machinery are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the end of reporting period is disclosed in Note 6 to the financial statements. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.4% increase/decrease in the Group's result for the financial year.

Income taxes (Note 22)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The extent of deferred taxation provided on the undistributed profits of the Company's PRC subsidiaries is disclosed in Note 23 to the financial statements.

Critical judgements and key sources of estimation uncertainty

In the process of applying the Company's and the Group's accounting policies, which are described in Note 3, management had made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Fair value of conversion option (Note 17)

The fair value of the conversion option which is linked to and must be settled by delivery of unquoted equity instrument is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, and the variability in the range of reasonable fair value estimates is considered to be significant. Consequently, the fair value of the conversion option is carried at cost less allowance for impairment in accordance with FRS 39. The determination of the fair value of the conversion option is complex and requires significant judgment. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become more subjective and complex.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2(a) Basis of preparation (Continued)

Critical judgements and key sources of estimation uncertainty (Continued)

Fair value of conversion option (Note 17) (Continued)

As stated in Note 17, there are three revised redemption amounts (Scenarios 1, 2 and 3) and also three conversion proportions and different conversion periods as follows:

2011 Convertible Bond

Revised Redemption Amount (Scenario 1)

The maximum redemption amount payable is RMB125,000,000 under Scenario 1.

Revised Redemption Amount (Scenario 2)

The maximum redemption amount payable is RMB115,000,000 under Scenario 2.

Revised Redemption Amount (Scenario 3)

The maximum redemption amount payable is RMB110,000,000 under Scenario 3.

The conversion will be determined by the principal amount of outstanding bond divided by aggregate principal amount of all bonds times the aggregate conversion shareholding, which was determined by the relevant share capital times aggregate conversion proportion.

- (i) If reference net profit > RMB250,000,000 and the performance requirement is satisfied, principal amount of all bonds divided by RMB1,500,000,000
- (ii) If reference net profit > RMB200,000,000 and < or = RMB250,000,000, and the performance requirement is satisfied, principal amount of all bonds divided by 5.5 times reference net profit
- (iii) If neither (i) or (ii) is applicable, principal amount of all bonds divided by 5 times reference net profit

The conversion period is between ten to thirty business days prior to Maturity Date.

2012 Convertible Bond

Revised Redemption Amount (Scenario 1)

The maximum redemption amount payable is RMB324,000,000 under Scenario 1.

Revised Redemption Amount (Scenario 2)

The maximum redemption amount payable is RMB310,500,000 under Scenario 2.

Revised Redemption Amount (Scenario 3)

The maximum redemption amount payable is RMB297,000,000 under Scenario 3.

The conversion will be determined by the principal amount of outstanding bond divided by aggregate principal amount of all bonds times the aggregate conversion shareholding, which was determined by the relevant share capital times aggregate conversion proportion.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2(a) Basis of preparation (Continued)

Critical judgements and key sources of estimation uncertainty (Continued)

Fair value of conversion option (Note 17) (Continued)

- (i) If reference net profit > RMB250,000,000 and the performance requirement is satisfied, principal amount of all bonds divided by RMB1,500,000,000
- (ii) If reference net profit > RMB200,000,000 and < or = RMB250,000,000, and the performance requirement is satisfied, principal amount of all bonds divided by 5.5 times reference net profit
- (iii) If neither (i) or (ii) is applicable, principal amount of all bonds divided by 5 times reference net profit

The conversion period is anytime prior to Maturity Date.

Consequently, owing to the complexity and multiple permutations in the determination of the fair value of the conversion option for both bonds, management is of the view that it is impractical to ascertain the potential for a consequential material adjustment to the carrying amount of the conversion option which is currently recognised at cost and the related impact on the carrying amount of the liability component of the convertible bonds in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position within the next financial year.

Allowance for bad and doubtful debts (Note 12)

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

If the net present values of estimated cash flows had been lower by 10% from management's estimates for all past due loans and receivables; the allowance for impairment of the Group would have been higher by RMB92,148,000. However, the Group does not foresee any additional impairment in trade and other receivables, other than as disclosed in Note 12.

Allowance for inventory obsolescence (Note 11)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provisions for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable value of the inventories decrease by 10% from management's estimates, the Group's results will decrease by RMB4,596,000.

The accounting policies used by the Company and the Group have been applied consistently to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2(b) Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Group:

Reference	Description
FRS 1	Presentation of Items of Other Comprehensive Income
FRS 19	Employee Benefits
FRS 107	Disclosures – Offsetting Financial Assets and Financial Liabilities
FRS 113	Fair Value Measurement
Improvements to FRSs 2012	

FRS 1 Presentation of items of Other Comprehensive Income

The amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (OCI) are effective for financial periods beginning on or after 1 July 2012.

The amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be classified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities

The following is an illustrative disclosure of the nature of the impending changes in disclosures on adoption of amendments to FRS 107

The amendments to FRS 107 provides disclosure requirements that are intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new disclosures require information about the gross amount of financial assets and liabilities before offsetting and the amounts set off in accordance with the offsetting model in FRS 32.

FRS 113 Fair Value Measurement

FRS 113 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of FRS 113 is broad and it applies for both financial and non-financial items for which other FRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

FRS 113 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the FRS 113 disclosures that were required previously by FRS 107 'Financial Instruments: Disclosures'.

The adoption of amended above standards does not have any material impact on the basic and fully diluted EPS of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2(c) FRS issued but not yet effective

The following are the new or amended FRS and INT FRS issued in 2013 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Revised FRS 27	Separate Financial Statements	1 January 2014
Revised FRS 28	Investments in Associates and Joint Ventures	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 39	Novation of Derivatives and Continuation	1 January 2014
Amendments to FRS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to FRSs (2014)	Various	1 July 2014

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

3 Summary of significant accounting policies

Subsidiaries and principles of consolidation

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 8 to the financial statements.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights, if any, that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Subsidiaries and principles of consolidation (Continued)

Consolidation (Continued)

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Subsidiaries and principles of consolidation (Continued)

Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Details of its subsidiaries are given in Note 8.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets over the estimated useful lives as follows:

Factory and warehouse premises	20 to 40 years
Office units	50 years
Renovation	5 years
Plant and machinery	10 years
Motor vehicles	10 years
Office equipment	5 to 10 years

No depreciation has been provided for construction-in-progress.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Property, plant and equipment and depreciation (Continued)

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively. Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed and adjusted as appropriate at end of each reporting date. The depreciation methods and useful lives are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial period the asset is derecognised.

Government grant/subsidy

Government grant/subsidy is recognised at its fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with. Where the grant/subsidy relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable unless in rare circumstance as specified in the amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Financial assets (Continued)

All financial assets are recognised on their trade date – the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in the profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Other than loans and receivables, the Group and the Company do not designate any financial assets at fair value through profit or loss, available-for-sale financial assets or held-to-maturity investment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables, related party balances and deposits held in banks. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes all direct expenditure and production overheads based on the normal level of activity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Inventories (Continued)

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of pledged deposits.

Financial liabilities

The Group's financial liabilities include borrowings, trade payables and other payables, and related party balances.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are considered as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Financial liabilities (Continued)

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Dividend distributions to shareholders are included in current financial liabilities when the dividends are payable.

Convertible bonds

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

Conversion option

If the conversion option in a convertible bond is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is a derivative liability. The derivative is required to be carried at fair value with changes in fair value recognised in profit or loss.

On issuance of such convertible bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The foreign currency-denominated liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of a guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, if any, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision is due to the passage of time is recognised as finance costs.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Borrowing costs

Borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period they are incurred.

Operating leases

Rentals on operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the consolidated statement of profit or loss and other comprehensive income when incurred.

Where the Group is the lessor, rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (b) based on the tax consequence that will follow from the manner in which the Company and the Group expect, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity.

Deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of certain of the Group's subsidiaries. The Group has determined that not all the undistributed earnings of the subsidiaries will be distributed in the foreseeable future. Withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The Group made provision for deferred tax liabilities on withholding tax of the forecasted dividend payout of the earnings of its PRC subsidiaries.

Value added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivable" or "other payable" in the statement of financial position. The Group's export sales are not subject to VAT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Value added tax (Continued)

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution/pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated company in the Group contributes to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. The contributions to national pension schemes are charged to the consolidated statement of profit or loss and other comprehensive income in the period to which the contributions relate.

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

Employee Share Option Scheme ("ESOS Scheme")

The Company has an employee share option plan for the granting of non-transferable options.

The Company issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Company revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Employee benefits (Continued)

Employee Share Option Scheme ("ESOS Scheme") (Continued)

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Directors are considered key management personnel.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited as income in the consolidated statement of profit or loss and other comprehensive income.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added tax and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of canned vegetables and fruits and beverage is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transactions can be measured reliably.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Rental income from the rental of office units is recognised upon acceptance of tenancy.

Functional currency

Functional and presentation currency

Items included in the consolidated financial statements of the Company and the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company and the Group ("the functional currency"). The consolidated financial statements of the Company and the Group are presented in RMB, which is also the functional currency of the Company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3 Summary of significant accounting policies (Continued)

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the translations.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 29.

Operating segments

For management purposes, operating segments are organised based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

4 Revenue

	Year ended 31 December 2013 RMB	Year ended 31 December 2012 RMB
The Group		
Sale of		
- canned asparagus	313,763,167	308,471,910
- canned long beans	119,971,465	120,153,863
- canned mushrooms	187,353,055	191,585,103
- canned fruits	257,653,286	146,875,153
- beverage	1,382,277,507	865,301,124
	<u>2,261,018,480</u>	<u>1,632,387,153</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

5 Land use rights

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Cost			
Balance at beginning of year		62,531,824	62,531,824
Additions		–	–
Elimination on disposal of a subsidiary	26	<u>(3,757,250)</u>	–
Balance at end of year		<u>58,774,574</u>	<u>62,531,824</u>
Accumulated amortisation			
Balance at beginning of year		3,009,953	1,774,464
Amortisation for the year	21(c) & 21(f)	1,193,216	1,235,489
Elimination on disposal of a subsidiary	26	<u>(486,000)</u>	–
Balance at end of year		<u>3,717,169</u>	<u>3,009,953</u>
Net book value		<u>55,057,405</u>	<u>59,521,871</u>

As at the end of the reporting period, land use rights of the Group which have been pledged to financial institutions to secure bank facilities are as follows:

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
At Cost			
Land use rights	16(a)	<u>8,435,741</u>	<u>8,435,741</u>
Net book value		<u>7,512,511</u>	<u>7,695,354</u>

Land use rights relate to the following parcel of lands:

Location	Period	Land area (square metres) ["sq m"]
#1 Land at Qiongxin Road side, Linqiong Town, Qionglai City People's Republic of China (邛崃市临邛镇邛新路侧)	50 years (expiring on 2 March 2055)	80,834.47
#2 Danfeng Town, Shizong County, Yunnan Province People's Republic of China (云南省师宗县单凤镇)	50 years (expiring on 9 April 2055)	66,366.30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

5 Land use rights (Continued)

Location	Period	Land area (square metres) ["sq m"]
#3 West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County People's Republic of China (单县开发区园艺路南段路西)	50 years (expiring on 30 December 2057)	70,895.00
#4 Land at Jing Xiu Jiang Nan East Side, Guang Dong Road, Dai Yang City People's Republic of China (当阳市广州路(锦绣江南东侧))	50 years (expiring on 30 Sept 2061)	101,720.20

These land use rights were acquired from:

- #1 邛崃市人民政府;
- #2 师宗县人民政府^a;
- #3 单县人民政府; and
- #4 当阳市人民政府

a The Group has disposed subsidiary of Yunnan Shizong during the financial year 2013

6 Property, plant and equipment

The Company

	Office equipment RMB
Cost	
At 1 January 2012	37,340
Additions	-
At 31 December 2012	37,340
Additions	-
At 31 December 2013	37,340
Accumulated depreciation	
At 1 January 2012	10,701
Depreciation for the year	7,095
At 31 December 2012	17,796
Depreciation for the year	6,283
At 31 December 2013	24,079
Net book value	
At 31 December 2013	13,261
At 31 December 2012	19,544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

6 Property, plant and equipment (Continued)

	Factory and warehouse premises RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction- in-progress RMB	Total RMB
The Group								
Cost								
At 1 January 2012	131,678,961	2,728,907	3,715,358	47,036,318	3,642,981	1,494,455	213,172,286	403,469,266
Additions	292,639	-	-	107,833,629	1,651,620	463,759	63,404,729	173,646,376
Write off	-	-	-	(53,726)	(4,455)	(24,628)	-	(82,809)
Reclassifications	<u>122,654,000</u>	<u>-</u>	<u>-</u>	<u>57,295,732</u>	<u>-</u>	<u>-</u>	<u>(179,949,732)</u>	<u>-</u>
At 31 December								
2012	254,625,600	2,728,907	3,715,358	212,111,953	5,290,146	1,933,586	96,627,283	577,032,833
Additions	841,555	-	34,907	6,734,040	159,279	224,957	270,774,643	278,769,381
Reclassification	89,995,675	-	-	10,939,127	-	-	(100,934,802)	-
Elimination on disposal of a subsidiary (Note 26)	(7,381,808)	-	-	(2,069,360)	(891,341)	(239,883)	-	(10,582,392)
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,500)</u>	<u>(118,498)</u>	<u>(29,346,795)</u>	<u>(29,525,793)</u>
At 31 December								
2013	<u>338,081,022</u>	<u>2,728,907</u>	<u>3,750,265</u>	<u>227,715,760</u>	<u>4,497,584</u>	<u>1,800,162</u>	<u>237,120,329</u>	<u>815,694,029</u>
Accumulated depreciation								
At 1 January 2012	13,717,309	324,059	3,208,792	11,329,786	2,664,964	931,986	-	32,176,896
Depreciation for the year	8,397,602	51,850	103,798	6,642,760	188,856	223,982	-	15,608,848
Write off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,071)</u>	<u>(4,010)</u>	<u>(22,165)</u>	<u>-</u>	<u>(55,246)</u>
At 31 December								
2012	22,114,911	375,909	3,312,590	17,943,475	2,849,810	1,133,803	-	47,730,498
Depreciation for the year	12,046,669	54,576	200,106	21,623,373	359,335	214,868	-	34,498,927
Elimination on disposal of a subsidiary (Note 26)	(2,219,038)	-	-	(1,248,652)	(798,022)	(170,832)	-	(4,436,544)
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,475)</u>	<u>(105,911)</u>	<u>-</u>	<u>(163,386)</u>
At 31 December								
2013	<u>31,942,542</u>	<u>430,485</u>	<u>3,512,696</u>	<u>38,318,196</u>	<u>2,353,648</u>	<u>1,071,928</u>	<u>-</u>	<u>77,629,495</u>
Net book value								
At 31 December								
2013	<u>306,138,480</u>	<u>2,298,422</u>	<u>237,569</u>	<u>189,397,564</u>	<u>2,143,936</u>	<u>728,234</u>	<u>237,120,329</u>	<u>738,064,534</u>
At 31 December								
2012	<u>232,510,689</u>	<u>2,352,998</u>	<u>402,768</u>	<u>194,168,478</u>	<u>2,440,336</u>	<u>799,783</u>	<u>96,627,283</u>	<u>529,302,335</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

6 Property, plant and equipment (Continued)

(a) Depreciation is charged to:

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Cost of sales		11,414,847	5,384,035
Distribution costs	21(b)	658,000	616,489
Administrative expenses	21(c)	22,426,080	9,608,324
	21(f)	34,498,927	15,608,848

(b) Factory and warehouse premises are located at:

		31 December 2013 RMB	31 December 2012 RMB
The Group			
At cost			
Factory and warehouse premises			
- #1 [Note 5]		51,656,979	50,569,936
- #2 [Note 5]		-	7,328,008
- #3 [Note 5]		51,949,445	51,151,766
- #4 [Note 5]		189,915,468	101,016,760
- #5*		44,559,130	44,559,130
		338,081,022	254,625,600

* relate to the following lands:

Location	Land area (sq m)	Ownership	Effective date	Expiry date
山西省永济市南郊粮库内	1,909.41	永济市粮食局 永济市蒲州镇西	1 January 2008	31 December 2026
永济市蒲州镇	10,025.13	文学村村民委员会	26 November 2008	20 November 2015

* The respective ownerships to the properties have the right to sub-lease the said factory and warehouse premises to a subsidiary, Shanxi Yongji Huaxin Food Co., Ltd.

Additional information on lease on factory and warehouse premises at Shanxi is further discussed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

6 Property, plant and equipment (Continued)

(c) Office units comprise:

Location	Description	Built-in area (sq m)	Tenure
No. 3013 Yitian Road, Futian District Tower B Southern International Plaza, Shenzhen People's Republic of China (滨河路与益田路3013号 南方国际广场B座 深圳市福田区)	6 office units (Unit 2115-2120)	265.68	70 years commencing 29 April 2000

The title deeds to these office units which are registered in the name of a director of the Group, Huang Yupeng (黄育鹏) are held in trust for Shenzhen Grandness Industry Groups Co., Ltd.

(d) As at the end of the reporting period, the property, plant and equipment of the Group which have been pledged to financial institutions to secure bank facilities are as follows:

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
At cost			
Factory and warehouse premises	16(a)	51,949,445	51,151,766
Office units	16(a)	2,728,907	2,728,907
		54,678,352	53,880,673
Net book value		42,649,138	43,451,193

(e) The construction-in-progress relate to:

	Estimated date of completion
(i) the construction of factory at Land at West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, People's Republic of China (单县开发区园艺路南段路西);	September 2014
(ii) the administration building on the existing Land at West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, People's Republic of China (单县开发区园艺路南段路西);	September 2014
(iii) the administration building and warehouse (厂房), at Jing Xiu Jiang Nan East Side, Guangzhou Road, Dang Yang City (当阳市广州路锦绣江南东侧)	April 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

7 Subsidy

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Subsidy		1,236,102	1,236,102
Less: Amortisation			
Balance at beginning of year		968,112	834,096
Amortisation for the year	21(f)	134,016	134,016
Balance at end of year		1,102,128	968,112
		133,974	267,990

The subsidy relates to money paid to farmers to provide financial assistance and support of vegetables farming. The governmental related agency, 邛崃市刀豆产业发展领导小组, also participates in the said contribution to ease certain subsidiaries in PRC in rendering financial assistance to the farmers.

8 Subsidiaries

	31 December 2013 RMB	31 December 2012 RMB
The Company		
Unquoted equity investments, at cost	1,847,996	1,847,996

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2013 RMB	2012 RMB	2013 %	2012 %	
<u>Held by the Company</u>						
Grandness (HK) Industry Co., Limited* (振鹏达(香港)实业有限公司) ¹	Hong Kong	1,847,996	1,847,996	100	100	Investment holding
<u>Held by Grandness (HK) Industry Co., Limited</u> (振鹏达(香港)实业有限公司)						
Yunnan Shizong Zhenhua Food Co., Ltd.* + (云南师宗振华食品有限公司) ⁷	People's Republic of China	-	-	-	51	Production and sale of canned vegetables and fruits

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8 Subsidiaries (Continued)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2013	2012	2013	2012	
		RMB	RMB	%	%	
<u>Held by the Company</u>						
Balance brought forward		1,847,996	1,847,996			
<u>Held by Grandness (HK) Industry Co., Limited (Continued)</u>						
Shanxi Yongji Huaxin Food Co., Ltd.* (山西永济华鑫食品有限公司) ²	People's Republic of China	–	–	100	100	Production and sale of canned vegetables and fruits
Shenzhen Grandness Industry Groups Co., Ltd.* (深圳振鹏达实业集团有限公司) ³	People's Republic of China	–	–	58.3	58.3	Sale of canned vegetables and fruits
Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited* (鲜绿园(香港)果蔬饮料有限公司) ¹	Hong Kong	–	–	100	100	Investment holding
<u>Held by Shanxi Yongji Huaxin Food Co., Ltd.</u> (山西永济华鑫食品有限公司)						
Shenzhen Grandness Industry Groups Co., Ltd.* (深圳振鹏达实业集团有限公司) ³	People's Republic of China	–	–	41.7	41.7	Sale of canned vegetables and fruits
Grandness (Sichuan) Foods Co., Ltd.* (四川振鹏达食品有限公司) ⁴	People's Republic of China	–	–	20.77 [#]	20.77 [#]	Production and sale of canned vegetables and fruits
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd.</u> (深圳振鹏达实业集团有限公司)						
Grandness (Sichuan) Foods Co., Ltd.* (四川振鹏达食品有限公司) ⁴	People's Republic of China	–	–	51 [#]	51 [#]	Production and sale of canned vegetables and fruits
Dongpeng (Chengdu) Agricultural Development Co., Ltd.* (成都东鹏农业发展有限公司) ⁴	People's Republic of China	–	–	100	100	Inactive

NOTES TO THE FINANCIAL
STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8 Subsidiaries (Continued)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2013	2012	2013	2012	
		RMB	RMB	%	%	
<u>Held by the Company</u>						
Balance brought forward		1,847,996	1,847,996			
<u>Held by Shenzhen Grandness Industry Groups Co., Ltd. (Continued)</u>						
Grandness (Shanxian) Food Co., Ltd.* (山东单县振鹏达食品有限公司) ⁵	People's Republic of China	–	–	100	100	Production and sale of canned vegetables and fruits
Grandness (Hubei) Foods Co., Ltd.* (湖北振鹏达食品有限公司) ⁶	People's Republic of China	–	–	100	100	Production and sale of canned vegetables and fruits
<u>Held by Grandness (Shanxian) Food Co., Ltd (单县振鹏达食品有限公司)</u>						
Grandness (Sichuan) Foods Co., Ltd.* (四川振鹏达食品有限公司) ⁴	People's Republic of China	–	–	4.78 [#]	4.78 [#]	Production and sale of canned vegetables and fruits
<u>Held by Dongpeng (Chengdu) Agricultural Development Co., Ltd (成都东鹏农业发展有限公司)</u>						
Grandness (Sichuan) Foods Co., Ltd.* (四川振鹏达食品有限公司) ⁴	People's Republic of China	–	–	4.78 [#]	4.78 [#]	Production and sale of canned vegetables and fruits
<u>Held by Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (鲜绿园(香港)果蔬饮料有限公司)</u>						
Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited* (鲜绿园(深圳)果蔬饮料有限公司) ³	People's Republic of China	–	–	100	100	Sale of fruits and vegetable juices
Garden Fresh (Hubei) Food & Beverage Co., Limited* (鲜绿园(湖北)食品饮料有限公司) ⁶	People's Republic of China	–	–	100	100	Production and sale of fruits and vegetable juices

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8 Subsidiaries (Continued)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective percentage of equity held		Principal activities
		2013	2012	2013	2012	
		RMB	RMB	%	%	
<u>Held by the Company</u>						
Balance brought forward		1,847,996	1,847,996			
<u>Held by Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited</u> (鲜绿园(深圳)果蔬饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited*	People's Republic of China	-	-	90	90	Production and sale of fruits and vegetable juices
(四川鲜绿园果蔬饮料有限公司) ⁴						
<u>Held by Garden Fresh (Hubei) Food & Beverage Co., Limited</u> (鲜绿园(湖北)食品饮料有限公司)						
Garden Fresh (Sichuan) Fruit & Vegetable Beverage Co., Limited*	People's Republic of China	-	-	10	10	Production and sale of fruits and vegetable juices
(四川鲜绿园果蔬饮料有限公司) ⁴						
		<u>1,847,996</u>	<u>1,847,996</u>			

* Audited by Foo Kon Tan Grant Thornton LLP for consolidation purposes.

Together with other wholly-owned subsidiaries of Sino Grandness Food Industry Group Limited, the effective interest in Grandness (Sichuan) Foods Co., Ltd. remained at 81.33%.

+ The subsidiary has been disposed of during the current financial year (Note 26).

¹ The local auditor is Qual-Mark CPA Limited (优志执业会计师事务所有限公司).

² The local auditor is Shanxi Jintong Certified Public Accountants Co., Ltd (山西晋彤会计师事务所有限公司).

³ The local auditor is Shenzhen Yida Certified Public Accountants Co., Ltd (深圳市义达会计师事务所有限责任公司).

⁴ The local auditor is Sichuan Sanhe Certified Public Accountant Co., Ltd (四川三和会计师事务所).

⁵ The local auditor is Shan Dong He Hua United Public Accountants (山东荷华联合会计师事务所).

⁶ The local auditor is Yichang Tiancheng Certified Public Accountant Co., Ltd (宜昌天成会计师事务所有限公司).

⁷ The local auditor is Qujing Tongle Certified Public Accountants (曲靖同乐会计师事务所).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

9 Amount owing by/(to) subsidiaries

	31 December 2013 RMB	31 December 2012 RMB
The Company		
Non-current		
Non-trade – Amount owing by subsidiaries		
– Grandness (HK) Industry Co., Limited	218,773,260	128,694,272
– Shenzhen Grandness Industry Groups Co., Ltd.	12,118,792	16,808,776
	230,892,052	145,503,048
(a) & (b)		
Current		
Non-trade – Amount owing to a subsidiary		
– Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	–	(281,177)
	–	(281,177)
(b)		

(a) The non-trade amounts owing by subsidiaries, are unsecured and interest-free. There are no fixed terms of repayment and the settlements are neither planned nor likely to be settled in the foreseeable future. Accordingly, it is not practicable to determine the fair value of these amounts owing.

(b) The non-trade amount owing to a subsidiary is unsecured, non-interest bearing and is repayable on demand.

(c) The non-trade amounts owing by/(to) subsidiaries are denominated in the following currencies:

	31 December 2013 RMB	31 December 2012 RMB
The Company		
Non-trade		
– Singapore dollar	202,240,480	112,509,074
– United States dollar	121,938	122,701
– Renminbi	28,529,634	32,590,096
	230,892,052	145,221,871

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

10 Deferred taxation

10(a) Deferred tax assets

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Balance at beginning of year	-	-	1,943,252	1,943,252
Disposal of a subsidiary (Note 26)	-	-	(265,348)	-
Balance at end of year	-	-	1,677,904	1,943,252
The balance comprises tax on				
- excess of tax written down value of qualifying property, plant and equipment over net book value	-	-	903,460	903,460
- provision	-	-	774,444	1,039,792
To be recovered after one year	-	-	1,677,904	1,943,252

10(b) Deferred tax liabilities

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Balance at beginning of year	20,240,920	4,469,000	20,240,920	4,469,000
Transfer from other comprehensive income (Note 23)	-	15,771,920	-	15,771,920
Balance at end of year	20,240,920	20,240,920	20,240,920	20,240,920
The balance comprises tax on				
- undistributed earnings of subsidiaries	19,240,920	19,240,920	19,240,920	19,240,920
- unremitted income	1,000,000	1,000,000	1,000,000	1,000,000
To be settled after one year	20,240,920	20,240,920	20,240,920	20,240,920

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11 Inventories

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Finished goods, at cost	38,391,576	46,113,432
Packaging materials, at cost	5,329,479	4,339,044
Raw materials, at cost	2,236,426	1,989,831
	45,957,481	52,442,307
Included in cost of sales are inventories charged of:	1,372,265,159	995,385,891
Reversal of inventories written down	18,815	36,038

The write-off of inventories relates to normal loss which is the course of normal business operations where certain goods were discarded due to quality control purpose. There is no allowance made to the inventories at the financial year end.

The write-down of inventories is reversed to the consolidated statement of profit or loss and other comprehensive income due to the recovery of selling prices of finished goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12 Trade and other receivables

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Trade receivables				
– External parties	–	–	633,596,473	427,479,126
Less: Impairment loss on trade receivables				
Balance at beginning of year	–	–	(153,500)	(153,500)
Allowance for the year	–	–	–	–
Balance at end of year	–	–	(153,500)	(153,500)
Net trade receivables	–	–	633,442,973	427,325,626
Other receivables				
Advances to				
– contractors	–	–	18,111,540	24,900,000
– suppliers of property, plant and equipment	–	–	46,015,932	6,754,905
– suppliers	–	–	25,597,573	138,808
– employees	18,731	–	440,445	367,212
– third parties	–	5,595	789,478	1,149,647
– Shenzhen Cheng Xingwang Import and Export Co., Ltd (深圳市成兴旺进出口有限公司)	–	–	1,120,369	1,120,340
– farmers	–	–	–	273,527
Prepayments	–	–	6,403,350	274,000
VAT receivable	–	–	69,235,204	35,387,775
Export tax refunds	–	–	51,372,347	57,668,258
Tax recoverable	30,681	–	30,955	646,960
Deposits	4,886	4,886	1,561,444	71,386
Guzhen (Anhui) Municipal Government (安徽固镇镇政府)	–	–	63,600,000	–
Yunnan Shizong Datong Shenhong Flourmill (云南师宗大同盛宏面粉厂) (Note 26)	–	–	3,579,161	–
Others	–	–	182,774	87,887
Sub-total	54,298	10,481	288,040,572	128,840,705
Grand total	54,298	10,481	921,483,545	556,166,331

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12 Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
<u>Trade</u>				
United States dollar	-	-	60,604,780	134,988,540
Renminbi	-	-	572,838,193	292,337,086
	-	-	633,442,973	427,325,626
<u>Non-trade</u>				
Renminbi	1,153	-	285,343,382	128,828,792
United States dollar	-	-	2,263,468	-
Hong Kong dollar	-	-	15,781	-
Singapore dollar	53,145	10,481	417,941	11,913
	54,298	10,481	288,040,572	128,840,705
	54,298	10,481	921,483,545	556,166,331

Trade receivables are usually due within 60 – 90 days and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. No additional allowance for impairment has been considered necessary.

- (i) The age analysis of trade receivables neither past due nor impaired is as follows:

	The Group	
	31 December 2013 RMB	31 December 2012 RMB
Current	189,376,663	147,722,011

- (ii) The age analysis of trade receivables past due and not impaired is as follows:

	The Group	
	31 December 2013 RMB	31 December 2012 RMB
Past due 0 to 3 months	74,263,474	46,211,807
Past due 3 to 6 months	2,644	-
Past due over 6 months	-	-
	74,266,118	46,211,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12 Trade and other receivables (Continued)

(iii) The age analysis of trade receivables past due and impaired is as follows:

	The Group	
	31 December 2013 RMB	31 December 2012 RMB
Past due 0 to 3 months	-	-
Past due 3 to 6 months	-	-
Past due over 6 months	153,500	153,500
	153,500	153,500

(iv) The credit risk for trade receivables based on the information provided to key management is as follows:

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
By geographical areas				
The People's Republic of China	-	-	482,477,147	292,337,086
Europe	-	-	133,291,523	106,727,807
North America	-	-	17,674,303	28,260,733
	-	-	633,442,973	427,325,626

Impairment on trade receivables is made on specific debts for which the directors of the Group are of the opinion that debts are not recoverable.

The advances which are unsecured, interest-free and repayable on demand are mainly made to:

- contractor relates to the construction of newly acquired land and existing factory and warehouse;
- suppliers of property, plant and equipment relate to the purchase of plant and machinery;
- suppliers relate to the purchase of packing materials and finished goods;
- the farmers relate to the cost of seedlings for vegetable farming;
- employees pertaining to business purpose; and
- third parties relate to temporary fund extended for working capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12 Trade and other receivables (Continued)

Prepayment includes prepaid Initial Public Offering (IPO) expenses of a subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd, amounting to RMB5,914,083 that relate solely to the equity offering.

Export tax refunds relate to tax refunds which is calculated at 15% (2012 – 15%) on overseas sales.

Guzhen (Anhui) Municipal Government (安徽固镇镇政府) relates to the land use right payment in Anhui province.

Amount receivable from Yunnan Shizong Datong Shenhong Flourmill (云南师宗大同盛宏面粉厂) is being the remaining unpaid sales consideration of disposal of Yunnan Shizong Zhenhua Food Co., Ltd, a subsidiary of the Group.

13 Cash and cash equivalents

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Cash on hand	–	–	112,550	119,907
Bank balances	4,178,582	474,153	91,216,800	138,221,636
	<u>4,178,582</u>	<u>474,153</u>	<u>91,329,350</u>	<u>138,341,543</u>
Amount as shown above			91,329,350	138,341,543
Less: Deposits placed in banks for notes payable			(9,310,000)	(5,600,837)
Cash and cash equivalents for consolidated statement of cash flows purposes at the end of the year			<u>82,019,350</u>	<u>132,740,706</u>

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
United States dollar	–	–	182,492	113,979,788
Renminbi	–	–	61,243,320	23,864,729
Singapore dollar	4,178,582	474,153	29,882,358	475,112
Others	–	–	21,180	21,914
	<u>4,178,582</u>	<u>474,153</u>	<u>91,329,350</u>	<u>138,341,543</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14 Share capital

	Number of shares		The Company	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Issued and fully paid ordinary shares with no par value:				
Balance at beginning of year	265,172,414	265,172,414	167,896,912	167,896,912
Shares issued pursuant to placement	28,500,000	–	117,749,746	–
Share issuance expense	–	–	(3,069,095)	–
Ordinary Share split of every one ordinary share split into two ordinary shares	293,672,414	–	–	–
Balance at end of year	587,344,828	265,172,414	282,577,563	167,896,912

On 21 March 2013, the Company issued new share placement of 28,500,000 (2012 – Nil) ordinary shares at a placement price of S\$0.82 for each ordinary shares. Total consideration received was S\$23,370,000 (2012 – Nil) to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

On 23 September 2013, the Company completed the share split of every one ordinary share in the share capital of the Company into two ordinary shares. Prior to the share split, the Company had an issued and paid up share capital of RMB282,577,563 comprising of 293,672,414 ordinary shares. Following the completion of share split, the Company has an issued and paid up share capital comprising 587,344,828 ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

15 Other reserves

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Statutory common reserve				
Balance at beginning of year	–	–	71,708,321	44,410,941
Movement during the year	–	–	31,034,225	27,297,380
Balance at end of year	–	–	102,742,546	71,708,321
ESOS Scheme reserve				
Balance at beginning of year	–	–	–	–
Movement during the year	2,220,065	–	2,220,065	–
Balance at end of year	2,220,065	–	2,220,065	–
Merger reserve				
Balance at beginning and end of year	–	–	(31,413,600)	(31,413,600)
Grand total	2,220,065	–	73,549,011	40,294,721

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

15 Other reserves (Continued)

Statutory common reserve

According to the PRC Company Law, the subsidiaries in PRC are required to transfer between 10% and 50% of their profit after taxation to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

ESOS Scheme reserve

ESOS Scheme reserve represents the equity-settled share options granted to employees (Note 25). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options

Merger reserve

The merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation.

16 Bank borrowings

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Bank loans			
– 中信银行股份有限公司深圳分行		8,000,000	–
– 星展银行(中国)有限公司深圳分行		5,000,000	–
– 上海浦东发展银行股份有限公司深圳分行		–	42,000,000
– 宁波银行股份有限公司深圳分行		–	2,000,000
		13,000,000	44,000,000
<u>Comprises</u>			
Bank loans (secured)			
– #1	(a)	–	42,000,000
– #2	(b)	8,000,000	–
– #3	(c)	5,000,000	–
	A	13,000,000	42,000,000
Bank loans (unsecured)			
– #4	(d)	–	2,000,000
	B	–	2,000,000
	A + B	13,000,000	44,000,000
Amount repayable:			
Not later than one year		13,000,000	44,000,000
Later than one year and not later than five years	–	–	–
		13,000,000	44,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

16 Bank borrowings (Continued)

- (a) The secured bank loan facility #1 of RMB42,000,000 comprises two tranches of RMB27,000,000 and RMB15,000,000 which has been repaid during the financial year. The loan was secured by inter-alia:
- (i) a mortgage over the Group's office units RMB2,728,907, land use rights costing RMB8,435,741 and factory and warehouse premises costing RMB51,151,766 belonging to a subsidiary, Grandness (Shanxian) Foods Co., Ltd;
 - (ii) a personal guarantee by a director of the company, Huang Yupeng; and
 - (iii) a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd.

Interest was charged between 6.3000% and 6.9000% per annum.

- (b) The secured bank loan facility #2 of RMB8,000,000 is repayable on 22 August 2014. The loan is secured by inter-alia:
- (i) a personal guarantee by a director of the company, Huang Yupeng; and
 - (ii) a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd.

Interest is charged at 7.2000% per annum.

- (c) The secured bank loan facility #3 of RMB5,000,000 is repayable on 24 January 2014. The loan is secured by inter-alia:
- (i) a personal guarantee by a director of the company, Huang Yupeng;
 - (ii) a corporate guarantee provided by a wholly-owned subsidiary, Grandness (Shanxian) Foods Co., Ltd;
 - (iii) a corporate guarantee provided by a ultimate holding company, Sino Grandness Food Industry Group Limited; and
 - (iv) a pledge of cash and bank balance of RMB4,000,000 of a wholly-owned subsidiary, Shenzhen Grandness Industry Groups Co., Ltd.

Interest is charged at 7.0000% per annum.

- (d) The unsecured bank loan #4 of RMB2,000,000 has been repaid during the financial year. This loan was secured by, inter-alia:
- (i) a personal guarantee by a director of the Company, Huang Yupeng; and
 - (ii) corporate guarantee provided by Shanxi Yongji Huaxin Food Co., Ltd.

Interest was charged 7.5000% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

16 Bank borrowings (Continued)

The table below analyses the maturity profile of the Group's borrowings based on contractual undiscounted cash flows:

	31 December 2013 Carrying amount RMB	31 December 2013 Contractual cash flows RMB	31 December 2012 Carrying amount RMB	31 December 2012 Contractual cash flows RMB
The Group				
<u>Variable interest rate loans</u>				
Less than one year	13,000,000	13,394,533	44,000,000	45,953,100
Between one to five years	–	–	–	–
	13,000,000	13,394,533	44,000,000	45,953,100

As at the reporting date, the Group has unutilised bank facilities approximately RMB8,500,000 (2012 – RMB37,294,740).

17 Convertible bonds

2012 Convertible Bond

In financial year 2012, a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (“Garden Fresh (HK)” or “the issuer”) entered into a Subscription Agreement with Goldman Sachs Investments Holdings (Asia) Limited to issue RMB270,000,000 zero coupon convertible bonds (“2012 Convertible Bond”). The maturity date is 3 September 2015.

The bonds are convertible at the election of the Bondholders into conversion shares of Garden Fresh (HK) at 3 September 2015. The convertible bonds do not contain any equity component or equity instrument as the conversion option in the convertible bond is settled other than by the exchange of a fixed number of the issuer's own equity instruments (i.e. fixed for floating); the conversion option is a derivative liability.

The convertible bonds are converted into a variable number of shares on the basis of:

- (i) a cap that limits the number of shares that the entity is required to deliver no more than 30% of the total issued share capital of Garden Fresh (HK) in order to prevent excessive dilution of the existing shareholders through the issue of new shares; and

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17 Convertible bonds (Continued)

2012 Convertible Bond (Continued)

- (ii) a floor (ie, a collar) that requires the entity to deliver to Bondholders in accordance to Revised Redemption Amounts as listed below:

In the event that the Initial Public Offering (“IPO”) of Garden Fresh (HK) does not occur prior to the Maturity Date, the Subscription Agreement triggers the Revised Redemption Clause. Dependent on the phase of the IPO Garden Fresh (HK) is at, the corresponding Revised Redemption Amount will be granted to the Bondholders at the Maturity Date is:

Revised Redemption Amount 1 (“Scenario 1”)

IPO process is either incomplete prior to one month of Maturity Date (unless it is not completed due to the occurrence, on or after Issuance Date, of changes in the rules and regulations of the relevant Approved Exchange applicable to Garden Fresh (HK) and Sino Grandness Food Industry Group Limited) or Garden Fresh (HK) does not list its shares on an Approved Exchange on or before the Maturity Date (unless such listing is impossible due to regulatory reasons beyond the control of the Garden Fresh (HK) and Sino Grandness Food Industry Group Limited);

Principal Amount multiplied by 1.20 x

The maximum redemption amount payable is RMB324,000,000 under Scenario 1.

Revised Redemption Amount 2 (“Scenario 2”)

IPO process is completed on or before the date falling one month prior to the Maturity Date and Garden Fresh (HK) is unable to complete a Qualifying IPO on or one month before the Maturity Date due to regulatory restrictions beyond the control of Garden Fresh (HK) and Sino Grandness Food Industry Group Limited; or

Principal Amount multiplied by 1.15 x

The maximum redemption amount payable is RM310,500,000 under Scenario 2.

Revised Redemption Amount 3 (“Scenario 3”)

Garden Fresh (HK) completes a Qualifying IPO on or before the Maturity Date at a Qualifying IPO price that is less than 9 times the Reference Net Profit;

Principal Amount multiplied by 1.10 x

The maximum redemption amount payable is RM297,000,000 under Scenario 3.

Where x = number of calendar days from and including issue date, but excluding Redemption Date, divided by 365

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17 Convertible bonds (Continued)

2012 Convertible Bond (Continued)

Terms of conversion

The conversion options is convertible any time:

- (a) prior to Maturity Date; or
- (b) prior to the Qualifying IPO Date if the issuer undertakes a Qualifying IPO prior to the Maturity Date

The conversion will be determined by the principal amount of outstanding bond divided by aggregate principal amount of all bonds times the aggregate conversion shareholding, which was determined by the relevant share capital times aggregate conversion proportion.

- (i) If reference net profit > RMB250,000,000 and the performance requirement is satisfied, principal amount of all bonds divided by RMB1,500,000,000
- (ii) If reference net profit > RMB200,000,000 and < or = RMB250,000,000, and the performance requirement is satisfied, principal amount of all bonds divided by 5.5 times reference net profit
- (iii) If neither (i) or (ii) is applicable, principal amount of all bonds divided by 5 times reference net profit

In the event the 2011 Convertible Bond is to be redeemed, whether voluntarily or mandatorily, earlier than the 2012 Convertible Bond's maturity date, the 2012 Convertible Bond shall be accelerated and treated as a pari passu redemption obligation by the issuer at the applicable revised redemption amount in accordance with the terms and conditions of the 2012 Convertible bond. Consequently, the 2012 Convertible Bond is treated to be due within twelve months of the reporting year end date.

2011 Convertible Bond

In financial year 2011, a wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited ("Garden Fresh (HK)" or "or the issuer") entered into a Subscription Agreement with Sun Hung Kai Investment Services Limited to issue RMB100,000,000 zero coupon convertible bonds ("2011 Convertible bond"). The maturity date is 19 October 2014 with an option to extend to 30 June 2015.

The bonds are convertible at the election of the Bondholders into conversion shares of Garden Fresh (HK) at any time during the conversion period from 8 September 2014 to 3 October 2014. The convertible bonds do not contain any equity component or equity instrument as the conversion option in the convertible bond is settled other than by the exchange of a fixed number of the issuer's own equity instruments (i.e. fixed for floating); the conversion option is a derivative liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17 Convertible bonds (Continued)

2011 Convertible Bond (Continued)

The convertible bonds are converted into a variable number of shares on the basis of:

- (i) a cap that limits the number of shares that the entity is required to deliver no more than 19.9% of the total issued share capital of Garden Fresh (HK) in order to prevent excessive dilution of the existing shareholders through the issue of new shares; and
- (ii) a floor (ie, a collar) that requires the entity to deliver to Bondholders in accordance to Revised Redemption Amounts as listed below:

In the event that the Initial Public Offering ("IPO") of Garden Fresh (HK) does not occur prior to the Maturity Date, the Subscription Agreement triggers the Revised Redemption Clause. Dependent on the phase of the IPO Garden Fresh (HK) is at, the corresponding Revised Redemption Amount will be granted to the Bondholders at the Maturity Date is:

Revised Redemption Amount 1 ("Scenario 1")

IPO process is either incomplete prior to one month of Maturity Date (unless it is not completed due to the occurrence, on or after Issuance Date, of changes in the rules and regulations of the relevant Approved Exchange applicable to Garden Fresh (HK) and Sino Grandness Food Industry Group Limited) or Garden Fresh (HK) does not list its shares on an Approved Exchange on or before the Maturity Date (unless such listing is impossible due to regulatory reasons beyond the control of the Garden Fresh (HK) and Sino Grandness Food Industry Group Limited);

Principal Amount multiplied by 1.25 x

The maximum redemption amount payable is RMB125,000,000 under Scenario 1.

Revised Redemption Amount 2 ("Scenario 2")

IPO process is completed on or before the date falling one month prior to the Maturity Date and Garden Fresh (HK) is unable to complete a Qualifying IPO on or one month before the Maturity Date due to regulatory restrictions beyond the control of Garden Fresh (HK) and Sino Grandness Food Industry Group Limited; or

Principal Amount multiplied by 1.15 x

The maximum redemption amount payable is RM115,000,000 under Scenario 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17 Convertible bonds (Continued)

2011 Convertible Bond (Continued)

Revised Redemption Amount 3 (“Scenario 3”)

Garden Fresh (HK) completes a Qualifying IPO on or before the Maturity Date at a Qualifying IPO price that is less than 9 times the Reference Net Profit;

Principal Amount multiplied by 1.10 x

The maximum redemption amount payable is RM110,000,000 under Scenario 3.

Where x = number of calendar days from and including issue date, but excluding Redemption Date, divided by 365

Terms of conversion

The conversion options is convertible any time during:

- (a) The period not less than ten business days and not more than thirty business days (both days inclusive) prior to Maturity Date; or
- (b) If the issuer undertakes a Qualifying IPO prior to the Maturity Date, the period not less than ten business days and not more than twenty business days prior to the Qualifying IPO Date

The conversion will be determined by the principal amount of outstanding bond divided by aggregate principal amount of all bonds times the aggregate conversion shareholding, which was determined by the relevant share capital times aggregate conversion proportion.

- (i) If reference net profit > RMB250,000,000 and the performance requirement is satisfied, principal amount of all bonds divided by RMB1,500,000,000
- (ii) If reference net profit > RMB200,000,000 and < or = RMB250,000,000, and the performance requirement is satisfied, principal amount of all bonds divided by 5.5 times reference net profit
- (iii) If neither (i) or (ii) is applicable, principal amount of all bonds divided by 5 times reference net profit

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17 Convertible bonds (Continued)

2011 Convertible Bond (Continued)

The carrying amount and fair value of the non-current convertible bonds are as follows:

	31 December 2013 Carrying amount RMB	31 December 2013 Fair value RMB	31 December 2012 Carrying amount RMB	31 December 2012 Fair value RMB
The Group				
2012 Convertible Bond	254,100,101	251,455,000	243,639,086	222,990,130
2011 Convertible Bond	95,355,082	95,914,000	88,679,395	87,695,108
	<u>349,455,183</u>	<u>347,369,000</u>	<u>332,318,481</u>	<u>310,685,238</u>
Current portion	349,455,183		–	
Non-current portion	–		332,318,481	
	<u>349,455,183</u>		<u>332,318,481</u>	

The fair value is based on cash flows discounted using a rate based on the borrowing rate of:

	31 December 2013 %	31 December 2012 %
The Group		
2012 Convertible Bond	4.34	7.34
2011 Convertible Bond	5.37	7.86

The fair value of the above bonds was calculated using a market interest rate for an equivalent convertible bond.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17 Convertible bonds (Continued)

The convertible bonds recognised in the statements of financial position are calculated as follows:

2012 Convertible Bond

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Face value of convertible bonds drawdown on 4 July 2013	270,000,000	270,000,000
Less:		
– discount on convertible bonds	(27,000,000)	(27,000,000)
– transaction costs	(4,428,794)	(4,428,794)
	(31,428,794)	(31,428,794)
Net proceeds of issue	238,571,206	238,571,206
Add:		
– effective interest expense	15,528,895	5,067,880
Carrying amount as at 31 December	254,100,101	243,639,086

Effective interest expense on the bonds, including the effect of allocated issue expense of RMB4,428,794, is calculated using the effective interest method by applying the effective interest rate of 4.21% per annum to this liability.

2011 Convertible Bond

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Face value of convertible bonds drawdown on 19 October 2012	100,000,000	100,000,000
Less:		
– discount on convertible bonds	(13,000,000)	(13,000,000)
– transaction costs	(6,011,879)	(6,011,879)
	(19,011,879)	(19,011,879)
Net proceeds of issue	80,988,121	80,988,121
Add:		
– effective interest expense	14,366,961	7,691,274
Carrying amount as at 31 December	95,355,082	88,679,395

Effective interest expense on the bonds, including the effect of allocated issue expense of RMB6,011,879, is calculated using the effective interest method by applying the effective interest rate of 7.28% per annum to this liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17 Convertible bonds (Continued)

Fair value of conversion option

The fair value of the conversion option in the convertible bonds which is linked to and must be settled by delivery of unquoted equity instrument for both convertible bonds is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, and the variability in the range of reasonable fair value estimates is considered to be significant. Consequently, the fair value of the conversion option is carried at cost less allowance for impairment in accordance with FRS 39. As the cost of the conversion option is insignificant, no amount has been attributed to the conversion option since inception for both convertible bonds.

18 Trade and other payables

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
Trade payables	-	-	9,056,015	14,501,017
Accruals	1,412,598	6,956,858	53,090,371	32,139,361
	1,412,598	6,956,858	62,146,386	46,640,378
<u>Other payables</u>				
Amount owing to (non-trade)				
- contractors	-	-	1,104,683	7,981,547
- suppliers of property, plant and equipment	-	-	1,336,779	2,381,338
- suppliers	-	-	249,250	60,693
- employees	-	165,574	221,747	546,874
- third parties	412,659	412,659	1,067,359	2,111,031
Accrual of directors' fees	437,888	346,790	437,888	346,790
Liability owing for land premium	-	-	-	2,757,250
VAT payable	-	-	8,724,014	9,395,474
Withholding tax payable	198,800	166,140	286,690	166,142
Advance from customers	-	-	681,372	111,667
Deposits	-	-	231,845	203,000
Director	7,212,106	115,597	6,862,196	6,456,479
Others	-	-	2,627,126	3,234,108
Sub-total	8,261,453	1,206,760	23,830,949	35,752,393
Grand total	9,674,051	8,163,618	85,977,335	82,392,771
Current portion	9,261,392	8,163,618	85,564,676	82,392,771
Non-current portion	412,659	-	412,659	-
	9,674,051	8,163,618	85,977,335	82,392,771

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

18 Trade and other payables (Continued)

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair values.

Accruals relate to liabilities for employee benefit costs, purchase of packaging materials and raw materials and rental of warehouse and factory premises.

The non-trade amounts owing are unsecured, interest-free and are repayable on demand:

- the amount owing to contractors relates to the road construction works, painting on the existing premises and construction of existing factory; and
- the amount owing to employees relate to money withheld for employees' uniform.

The liability owing for land premium relates to outstanding sum payable to Shizong Municipal Government (师宗县人民政府) for the granting of land use rights for the parcel of land located at Danfeng Town, Shizong County, Yunnan Province (云南省师宗县单凤镇) with a land area of 66,366.30 sq m to Yunnan Shizong Zhenhua Food Co., Ltd. The amount owing was interest-free. The Group disposed of Yunnan Shizong Zhenhua Food Co., Ltd in 2013. The carrying value of liability owing for land premium was fully discharged during the year.

The non-trade amount owing to a third party includes an amount of RMB Nil (2012 – RMB1,687,000) due to Financial Bureau of Qionglai City, Sichuan Province (四川省邛崃市财政局). This amount was granted to Grandness (Sichuan) Foods Co., Ltd in support of agricultural business development. The amount was secured by a pledge on the subsidiary's land use rights to the extent of 80mu (equivalent to 53,333 sq m), was interest-free.

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	31 December 2013 RMB	31 December 2012 RMB	31 December 2013 RMB	31 December 2012 RMB
<u>Trade</u>				
Renminbi	–	5,048,420	43,970,737	39,985,429
Singapore dollar	1,396,662	1,636,334	1,396,662	1,636,334
	1,396,662	6,684,754	45,367,399	41,621,763
<u>Non-trade</u>				
Renminbi	7,212,105	–	29,062,617	36,736,190
Singapore dollar	1,065,284	1,478,864	1,821,408	1,429,086
Hong Kong dollar	–	–	63,120	–
Euro	–	–	33,093	–
United States dollar	–	–	9,629,698	2,605,732
	8,277,389	1,478,864	40,609,936	40,771,008
	9,674,051	8,163,618	85,977,335	82,392,771

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

19 Notes payable

The notes payable, which are secured by fixed deposit pledged to a bank (Note 13) and are interest-free, mature at varying dates between 16 February 2014, the earliest date and 13 June 2014, the latest date.

20 Amount owing to a related party

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Non-trade		
– related party		
– Shizong Datong Shenghong Flourmill (师宗大同盛宏面粉厂)	–	74,000
	<u>–</u>	<u>74,000</u>

Shizong Datong Shenghong Flourmill (师宗大同盛宏面粉厂) was regarded as a related party by virtue of interests held by a minority shareholder, of a subsidiary, Yunnan Shizong Zhenhua Food Co., Ltd. The Group disposed of the subsidiary during the financial year and the carrying value of liability was fully discharged.

21(a) Other operating income

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Sale of scrap		477,012	424,813
Sales of raw materials and packaging materials		3,903,579	40,253
Cost of scrap		(38,291)	(272,983)
Cost of raw materials and packaging materials		(2,095,389)	(41,754)
		<u>2,246,911</u>	<u>150,329</u>
Government subsidy		25,193	51,000
Government grant		4,074,501	1,259,600
Interest income – banks		1,027,782	821,542
Exchange gain	21(f)	–	5,023,854
Rental income		365,379	150,288
Gain on disposal of property, plant and equipment	21(f)	6,975	–
Gain on disposal of a subsidiary	21(f)	5,079,734	–
Miscellaneous income		33,569	50,301
		<u>12,860,044</u>	<u>7,506,914</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

21(a) Other operating income (Continued)

The government subsidy relates to money received from the government to support the Group for listing in Singapore.

The government grant relates to money received from local authorities for construction and installation of sewage disposal system in Dang Yang City, Hubei Province at amount of RMB3,718,586 and for encouragement of supply of job opportunities in Shenzhen City, Guangdong Province at amount of RMB355,915 during the financial year 2013.

21(b) Distribution costs

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Employee benefit costs	21(e)	12,833,927	5,373,246
Transportation		131,218,776	108,370,395
Entertainment		135,606	56,150
Travelling		1,033,197	787,360
Consumable expenses		343,121	123,680
Packaging		11,288,764	11,176,807
Inspection and custom		86,941	71,945
Depreciation expense	6(a)	658,000	616,489
Advertisement and promotion		34,990,133	27,053,127
Bar number expenses		128,800	1,087,390
Conference expense		13,280	24,988
Sales rebate		-	-
Promotion expense		24,763,773	10,332,285
Others		749,497	1,190,955
		218,243,815	166,264,817

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

21(c) Administrative expenses

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Employee benefit costs	21(e)	16,216,076	12,771,341
Motor vehicle expenses		469,473	357,991
Entertainment		1,374,552	975,332
Travelling expenses		1,553,302	1,372,965
Consumable expenses		95,701	197,784
Depreciation expense	6(a)	22,426,080	9,608,324
Amortisation of land use rights	5	1,188,216	1,235,489
Professional and legal fees		589,569	1,646,605
Exchange loss	21(f)	19,706,191	11,773,540
Rental expenses	21(f)	4,521,552	4,097,903
Property, plant and equipment written off	21(f)	–	27,563
Bank charges		480,802	887,420
Utilities		696,950	626,493
Repair and maintenance		164,629	19,576
IPO expenses		9,773,906	–
Share-based payment expense under ESOS scheme	21(e) & 21(f)	2,220,065	–
Government tax expenses		5,336,468	2,202,813
Audit fee of the Company	21(f)	1,491,094	1,957,108
Others		6,482,473	3,962,073
		94,787,099	53,720,320

21(d) Finance costs

		31 December 2013 RMB	31 December 2012 RMB
The Group			
Interest expenses:			
– bank borrowings		1,965,278	4,758,362
– notes payable		–	695,511
Convertible bonds at amortised costs		17,136,702	11,276,212
		19,101,980	16,730,085
The effective interest rate per annum:			
– bank borrowings		7.00 – 7.20%	6.30 – 8.53%
– notes payable		–	0.42 – 0.50%
– convertible bonds		4.21 – 7.28%	4.21 – 7.28%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

21(e) Employee benefit costs

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Director's remuneration:			
– salaries and related costs		8,970,989	6,386,505
– defined contributions		79,713	99,952
Key management personnel (other than directors):			
– salaries and related costs		1,038,433	1,107,760
– defined contributions		72,098	90,594
Other than directors and key management personnel:			
– salaries and related costs		40,507,019	33,504,743
– defined contributions		571,715	393,106
Share-based payment expense under ESOS scheme	21(c)	2,220,065	–
		53,460,632	41,582,660

Employee benefit costs are charged to:

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Cost of sales		22,190,564	23,438,073
Distribution costs	21(b)	12,833,927	5,373,246
Administrative expenses	21(c)	18,436,141	12,771,341
		53,460,632	41,582,660

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

21(f) Profit before taxation

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Profit before taxation has been arrived at after charging/ (crediting):			
Amortisation of subsidy	7	134,016	134,016
Audit fees paid/payable to:			
– auditors of the Company	21(c)	1,491,094	1,957,108
– other auditors		784,709	543,978
Non-audit fees paid to			
– auditors of the Company (tax compliance services)		12,918	13,750
– other auditors		166,770	90,713
Depreciation of property, plant and equipment	6	34,498,927	15,608,848
Amortisation of land use rights	5	1,193,216	1,235,489
Directors' fee		560,667	687,839
Exchange loss	21(a) & 21(c)	19,706,191	6,749,686
Gain on disposal of property, plant and equipment	21(a)	(6,975)	–
Gain on disposal of a subsidiary	21(a)	(5,079,734)	–
Property, plant and equipment written off	21(c)	–	27,563
Rental expense – factory and warehouse		2,665,990	2,335,295
– others		1,855,562	1,762,608
	21(c)	4,521,552	4,097,903
Share-based payment expense under ESOS scheme	21(c)	2,220,065	–

22 Taxation

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Current taxation		154,777,797	108,340,246
Under/(over)provision in respect of prior year		460,000	(268,586)
		<u>155,237,797</u>	<u>108,071,660</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

22 Taxation (Continued)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the relevant statutory rate of income tax on Group's results as a result of the following:

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Profit before taxation	555,546,748	398,197,015
Tax at statutory rate of 25%	150,182,140	106,052,628
Tax at statutory rate of 17%	(4,673,000)	(1,055,000)
Tax at statutory rate of 16.5%	(2,907,797)	(3,268,163)
Tax effect on non-taxable income	(1,959,941)	(487,886)
Tax effect on non-deductible expenses	8,240,431	5,466,502
Deferred tax asset not recognised	5,661,414	1,632,165
Under/(Over)-provision of corporate tax in respect of prior year	460,000	(268,586)
Others	234,550	–
	155,237,797	108,071,660

The domestic tax rates applicable to the profit of the following companies are as follows:

	<u>Rate</u>	<u>Basis</u>
– Grandness (HK) Industry Co., Limited	16.5%	Full tax
– Shenzhen Grandness Industry Groups Co., Ltd.	25%	Full tax
– Grandness (Sichuan) Foods Co., Ltd.	25%	Full tax
– Shanxi Yongji Huaxin Food Co., Ltd.	25%	Full tax
– Yunnan Shizong Zhenhua Food Co., Ltd.	25%	Full tax
– Dongpeng (Chengdu) Agricultural Development Co., Ltd.	25%	Full tax
– Grandness (Shanxian) Food Co., Ltd.	25%	Full tax
– Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited	16.5%	Full tax
– Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited	25%	Full tax
– Garden Fresh (Hubei) Fruit & Vegetable Beverage Co., Limited	25%	Full tax
– Garden Fresh (Sichuan) Food & Beverage Co., Limited	25%	Full tax
– Sino Grandness Food Industry Group Limited	17%	Full tax

As at the reporting date, none of deferred tax liability is recognised for financial years 2013 on the undistributed earnings of the PRC subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

22 Taxation (Continued)

The Group has unabsorbed tax losses of certain subsidiaries amounting to approximately RMB28,302,000 (2012 – RMB17,167,000), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These unabsorbed losses cannot be allowed to offset the taxable profits of other subsidiaries. All tax losses will expire after five years from the year of assessment they relate to.

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB7,075,000 (2012 – RMB4,291,750) arising from these unabsorbed tax losses because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

23 Other comprehensive income after tax

	Note	31 December 2013 RMB	31 December 2012 RMB
The Group			
Withholding tax on undistributed earnings of subsidiaries	10(b)	–	15,771,920

Other comprehensive income relates to the withholding tax payable on dividend to be declared by PRC subsidiaries. According to the Corporate Income Tax Law and its Implementation Rules, withholding tax is imposed on dividends declared in respect of profit earning by PRC subsidiaries from 1 January 2008 onward. For the Group, the applicable rate for the withholding tax is 5%. In estimating the withholding taxes on dividends expected to be distributed by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made an assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

24 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

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24 Earnings per share (Continued)

The following table reflects the consolidated statement of profit or loss and other comprehensive income and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Earnings for the purposes of earnings per share	401,096,616	289,693,483
	2013	2012
	No. of shares	
The Group		
Weighted average number of ordinary shares for the purposes of basic earnings per share	575,163,928	530,344,828 ¹
– Effect of share options on issue	3,095,425	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	578,259,353	530,344,828 ¹
Basic earnings per share (cents)	69.7	54.6
Diluted earnings per share (cents)	69.4	54.6

1 The number of ordinary shares outstanding was retrospectively adjusted for the effect of the share split. The number of shares outstanding is adjusted as if the share split was completed on the first day of the prior year.

The convertible bonds have an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2013 and 2012. It is ignored in the calculation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

25 Employee Share Option Scheme (the “ESOS Scheme”)

The Company has an employee share incentive plan for the granting of non-transferable options to directors and other full-time eligible executive officers. Options are granted for terms of 8 years to purchase the Company’s ordinary shares at not less than 20% of the market value of the shares at the date of grant. The options are exercisable beginning on the second anniversary of the date of the grant over 10 years period.

Information with respect to the number of options granted under the Company’s employee share option plan is as follows:

	Weighted average exercise options 2013	Options price 2013 S\$
Outstanding at the beginning of year	-	-
Granted	16,710,000	0.6
Forfeited	-	-
Expired	-	-
Exercised	-	-
Outstanding at end of the year	16,710,000	0.6
Exercisable at year end	-	-

The fair value of share options as at the date of grant, is estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model used for the year ended 31 December 2013 is shown below.

	2013
Share-based payment expense under ESOS scheme	2,220,065
Weighted average share price	S\$0.75
Weighted average exercise price	S\$0.6
Expected volatility	39.764%
Expected option life	8 years
Risk free rate	2.287%
Expected dividend yield	0%
Fair value at measurement date	S\$0.416

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the option grant were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

26 Disposal of a subsidiary

The Group disposed Yunnan Shizong Zhenhua Food Co., Ltd on 28 February 2013. The disposal consideration was partly settled in cash and the remaining unpaid balance as at year end was RMB3,579,161 (See note 12).

The value of assets and liabilities of Yunnan Shizong Zhenhua Food Co., Ltd recorded in the consolidation financial statements as at date of disposal, and the cash flow effect of the disposal were:

	<u>RMB</u>
Property, plant and equipment	6,145,848
Land use right	3,271,250
Trade and other receivables	2,895,494
Inventories	1,116,940
Deferred tax assets	265,348
Cash and cash equivalents	<u>205,614</u>
	13,900,494
Trade and other payables	(13,763,307)
Income tax payable	<u>-</u>
Carrying value of net assets derecognised	137,187
Less: Non-controlling interests	<u>(67,078)</u>
Net assets of disposed of	<u>70,109</u>
Total consideration	10,000,000
Adjustment ^(a)	<u>(4,850,157)</u>
Adjusted consideration	5,149,843
Cash and cash equivalent of the subsidiary	<u>(205,614)</u>
Net cash inflow on disposal of a subsidiary	<u>4,944,229</u>

(a) Being amount due to related companies and taxes not recognised by the buyer as stipulated in the sales and purchase agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27 Commitments

(i) Operating lease commitment (non-cancellable)

(A) Where Group is the lessee

At the end of the reporting period, the Group was committed to making the following lease rental payment under non-cancellable operating leases for factory, warehouse and office premises:

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Not later than one year	3,581,971	3,255,888
Later than one year and not later than five years	840,000	2,510,296
Later than five years	1,176,000	–

The current rents payable on the leases on the Group's factory, warehouse and office premises per annum are as follows:

Location	Land area (sq m)/Unit	Effective date	Expiry date	Rental per annum (RMB)
Factory and warehouse premises				
山西省永济市南郊粮库内	1,909.41	1 January 2008	31 December 2026	168,000
永济市于乡镇	13,049	1 August 2012	31 July 2014	2,875,000
Office premises				
深圳福田区滨河路与彩田路交汇处联合广场A栋塔楼	A5607 – 09	18 April 2012	27 April 2014	77,574

(B) Where Group is the lessor

At the end of reporting period, the Company had the following rental income under non-cancellable lease for office premises, buildings and warehouse with a term of more than one year:

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Not later than one year	250,000	300,000
Later than one year and later than 5 years	250,000	200,000
Later than five years	41,667	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27 Commitments (Continued)

(i) Operating lease commitment (non-cancellable) (Continued)

(B) Where Group is the lessor (Continued)

The current rents receivable on the leases on the Company's office per annum are as follows:

Location	Land area (sq m)/Unit	Effective date	Expiry date	RMB
Office premises				
深圳市福田区石厦北三街 东南方国际广场B栋	2115-20	14 August 2012	13 August 2014	300,000
Factory and warehouse premises				
山西省永济市南郊粮库后门	12,800	1 November 2012	31 October 2020	50,000

The leases on the Group's premises on which rentals are received will expire on 13 August and 31 October 2014 respectively with renewals at the then prevailing rates.

(ii) Capital commitments

The Group's capital commitments not provided for in the consolidated financial statements are as follows:

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Expenditure contracted for the construction of:		
– Production plant ^(a)	600,000,000	–
– factory plant	6,867,676	2,515,151
– equipment	1,912,500	480,300
	608,780,176	2,995,451

- (a) During the financial year, the Group have entered into a Cooperation Agreement with Guzhen (固镇) Municipal Government of Anhui Province, PRC whereby the Group principally agreed to invest RMB600 million to construct a production plant to produce canned products and beverage. The investment cost would be executed in 3 phases whereby construction work is expected to commence in 2014 and expected to be completed by 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

27 Commitments (Continued)

(iii) Purchase commitments

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Contracted purchase but not provided for in the financial statements	<u>107,631,640</u>	<u>26,130,923</u>

(iv) Sales commitments

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Contracted sales but not provided for in the financial statements	<u>167,694,220</u>	<u>46,290,933</u>

28 Statement of operations by segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- (1) Manufacturing and sale of canned vegetables and fruits ("Grandness segment"); and
- (2) Sales of fruit beverages ("Garden Fresh segment").

The manufacturing arm and the distribution arm are regarded as one line business for segmental reporting.

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports 10% of the Group's total revenue.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group's income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

28 Statement of operations by segments (Continued)Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax expense and non-controlling interests.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties, if any.

All non-current assets are located in the People's Republic of China.

(a) Business segments

	Canned vegetable and fruits		Fruit beverages		Total	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB	2013 RMB	2012 RMB
REVENUE						
Total sales	<u>878,740,972</u>	767,109,190	<u>1,382,277,508</u>	865,277,963	<u>*2,261,018,480</u>	*1,632,387,153
RESULTS						
Segment result	189,931,303	180,787,018	384,717,425	234,140,082	574,648,728	414,927,100
Finance costs	<u>(1,965,278)</u>	(5,453,873)	<u>(17,136,702)</u>	(11,276,212)	<u>(19,101,980)</u>	(16,730,085)
Profit before taxation	187,966,025	175,333,145	367,580,723	222,863,870	555,546,748	398,197,015
Taxation					(155,237,797)	(108,071,660)
Non-controlling interests					787,665	(431,872)
Net profit					<u>401,096,616</u>	<u>289,693,483</u>
OTHER INFORMATION						
Segment assets						
(excluding taxation)	858,300,648	649,545,995	993,725,641	686,496,382	1,852,026,289	1,336,042,377
Segment liabilities						
(excluding taxation)	44,079,459	95,383,097	405,903,059	372,102,155	449,982,518	467,485,252
Capital expenditure						
– Property, plant and equipment	7,545,277	94,140,655	271,224,104	79,505,721	278,769,381	173,646,376
Amortisation of land use rights	268,417	309,287	924,799	926,202	1,193,216	1,235,489
Depreciation of property, plant and equipment	19,835,802	12,279,238	14,663,125	3,329,610	34,498,927	15,608,848

* There were no inter-segment transactions during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

28 Statement of operations by segments (Continued)

(b) Geographical segments

The following table shows the distribution of the Group's sales based on geographical location of customers:

	31 December 2013 RMB	31 December 2012 RMB
The Group		
Revenue		
– Europe	617,696,486	537,704,932
– America	50,230,300	65,150,058
– China	1,570,902,774	976,447,667
– Others	22,188,920	53,084,496
	<u>2,261,018,480</u>	<u>1,632,387,153</u>

There is no individual foreign country in Europe which is considered significant to be disclosed.

(c) Reconciliation of segments' total assets and total liabilities

	31 December 2013 RMB	31 December 2012 RMB
Reportable segments' assets are reconciled to total assets:		
Segment assets	1,852,026,289	1,336,042,377
Deferred tax assets	1,677,904	1,943,252
	<u>1,853,704,193</u>	<u>1,337,985,629</u>
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	449,982,518	467,485,252
Deferred tax liabilities	20,240,920	20,240,920
Current tax payables	32,729,998	16,651,289
	<u>502,953,436</u>	<u>504,377,461</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

29 Financial risk management objectives and policies

The Group does not have written risk management policies and guidelines. The board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2013 and 2012, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

29.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates and sells its products in several countries other than PRC and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the SGD and USD exchange rates (against RMB), with all other variable held constant, of the Group's profit net of tax and equity.

		As at 31 December 2013 RMB'000		As at 31 December 2012 RMB'000	
		Profit net of tax	Equity	Profit net of tax	Equity
SGD	– strengthened 5% (2012 – 5%)	+1,676	+1,676	+95	+95
	– weakened 5% (2012 – 5%)	-1,676	-1,676	-95	-95
USD	– strengthened 5% (2012 – 5%)	+3,634	+3,634	+12,579	+12,579
	– weakened 5% (2012 – 5%)	-3,634	-3,634	-12,579	-12,579

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of group exposure to currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

29 Financial risk management objectives and policies (Continued)

29.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their bank borrowings and convertible bonds.

The table below analyses the maturity profile of the Company's and the Group's financial instruments that are exposed to interest rate risk:

	Within 1 year RMB	1-2 years RMB	2-3 years RMB	More than 3 years RMB	Total RMB
The Group					
2013					
Fixed rate					
Bank borrowings	(13,000,000)	-	-	-	(13,000,000)
Convertible bonds	(349,455,183)	-	-	-	(349,455,183)
Notes payable	(1,550,000)	-	-	-	(1,550,000)
Floating rate					
Cash assets	91,329,350	-	-	-	91,329,350
2012					
Fixed rate					
Bank borrowings	(44,000,000)	-	-	-	(44,000,000)
Convertible bonds	-	-	(332,318,481)	-	(332,318,481)
Notes payable	(8,700,000)	-	-	-	(8,700,000)
Floating rate					
Cash assets	138,341,543	-	-	-	138,341,543
The Company					
2013					
Floating rate					
Cash assets	4,178,582	-	-	-	4,178,582
2012					
Floating rate					
Cash assets	474,153	-	-	-	474,153

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than one month. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

29 Financial risk management objectives and policies (Continued)

29.2 Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

At the end of reporting period, if RMB interest rates had been 20 (2012 – 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been RMB243,000 (2012 – RMB495,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, lower/higher interest income from bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

29.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade receivables. For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The five (2012 – five) largest debtors accounted about 11% (2012 – 39%) of the total receivables at year end. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	2013 RMB	2012 RMB
The Company		
Corporate guarantees provided to banks on subsidiaries' loans	13,000,000	44,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

29 Financial risk management objectives and policies (Continued)

29.3 Credit risk (Continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the product sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2013		2012	
	<u>RMB</u>	<u>% of total</u>	<u>RMB</u>	<u>% of total</u>
The Group				
By product sectors:				
Canned foods	211,596,311	33%	154,389,486	36%
Beverages	421,846,662	67%	272,936,140	64%
	<u>633,442,973</u>	<u>100%</u>	<u>427,325,626</u>	<u>100%</u>

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade and other receivables).

29.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

29 Financial risk management objectives and policies (Continued)

29.4 Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cashflows over the remaining contractual maturities:

	Less than 1 year RMB	Between 1 to 5 years RMB	Total RMB
The Group			
As at 31 December 2013			
Bank borrowings	13,000,000	-	13,000,000
Trade and other payables	85,977,335	-	85,977,335
Convertibles bonds	370,000,000	-	370,000,000
Notes payable	1,550,000	-	1,550,000
	<u>470,527,335</u>	<u>-</u>	<u>470,527,335</u>
As at 31 December 2012			
Bank borrowings	45,953,100	-	45,953,100
Trade and other payables	82,392,771	-	82,392,771
Convertibles bonds	-	370,000,000	370,000,000
Notes payable	8,700,000	-	8,700,000
Amount owing to related parties	74,000	-	74,000
	<u>137,119,871</u>	<u>370,000,000</u>	<u>507,119,871</u>
The Company			
As at 31 December 2013			
Trade and other payables	9,674,051	-	9,674,051
Financial guarantee contracts	5,000,000	-	5,000,000
	<u>14,674,051</u>	<u>-</u>	<u>14,674,051</u>
As at 31 December 2012			
Trade and other payables	8,163,618	-	8,163,618
Financial guarantee contracts	5,000,000	-	5,000,000
	<u>13,163,618</u>	<u>-</u>	<u>13,163,618</u>

29.5 Market price risk

The Group does not hold any quoted or marketable financial instrument; hence it is not exposed to any movement in market prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

30 Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and to maintain an optimal capital structure to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group and the Company are not subject to externally imposed capital requirement except for a subsidiary, Garden Fresh (Hubei) Food & Beverage Co., Limited which is required to increase its paid up capital by HKD20 million within 2 years from 11 September 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's goal in capital management is to maintain a capital to overall financing structure ratio of between 20% – 30%. The Group includes within trade and other payables, bank borrowings, convertible bonds and notes payable and less cash and cash equivalents.

	2013 RMB	2012 RMB
The Group		
Trade and other payables	85,977,335	82,392,771
Bank borrowings (Note 16)	13,000,000	44,000,000
Convertible bonds (Note 17)	349,455,183	332,318,481
Notes payable (Note 19)	1,550,000	8,700,000
Less: Cash and cash equivalents (Note 13)	(91,329,350)	(138,341,543)
Net debt	358,653,168	329,069,709
Equity attributable to the equity holders of the Company	1,346,681,021	828,683,689
Capital and net debt	1,705,334,189	1,157,753,398
Gearing ratio	21%	28%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

31 Financial instruments

31.1 Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

31.2 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category were as follows:

	<u>2013</u> <u>RMB</u>	<u>2012</u> <u>RMB</u>
The Group		
Financial assets		
Loans and receivables (Note 12):		
– Net trade receivables	633,442,973	427,325,626
– Advances to employees	440,445	367,212
– Advances to third parties	789,478	1,149,647
– Advances to Shenzhen Cheng Xingwang Import and Export Co., Ltd (深圳市成兴旺进出口有限公司)	1,120,369	1,120,340
– Deposits	1,561,444	71,386
– Yunnan Shizong Datong Shenghong Flourmill (云南师宗大同盛宏面粉厂)	3,579,161	–
– Others	182,774	87,887
Cash and cash equivalents (Note 13)	91,329,350	138,341,543
	732,445,994	568,463,641
Financial liabilities at amortised cost:		
Trade and other payables (Note 18):		
– Trade payables	9,056,015	14,501,017
– Accruals	53,090,371	32,139,361
– Amount owing to contractors	1,104,683	7,981,547
– Amount owing to suppliers of property, plant and equipment	1,336,779	2,381,338
– Amount owing to suppliers	249,250	60,693
– Amount owing to employees	221,747	546,874
– Amount owing to third parties	1,067,359	2,111,031
– Accrual of directors' fees	437,888	346,790
– Deposits	231,845	203,000
– Director	6,862,196	6,456,479
– Others	2,627,126	3,234,108
Amount owing to a related party (Note 20)	–	74,000
Convertible bonds (Note 17)	349,455,183	332,318,481
	425,740,442	402,354,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

31 Financial instruments (Continued)

31.2 Accounting classifications of financial assets and financial liabilities (Continued)

	2013 RMB	2012 RMB
The Company		
Financial assets		
Loans and receivables (Note 12):		
– Advances to employees	18,731	–
– Advances to third parties	–	5,595
– Deposits	4,886	4,886
Amount owing by subsidiaries (Note 9)	230,892,052	145,503,048
Cash and cash equivalents (Note 13)	4,178,582	474,153
	235,094,251	145,987,682
Financial liabilities at amortised cost:		
Trade and other payables (Note 18):		
– Amount owing to employees	–	165,574
– Amount owing to third parties	412,659	412,659
– Accrual of directors' fees	437,888	346,790
– Director	7,212,106	115,597
– Accruals	1,412,598	6,956,858
Amount owing to a subsidiary (Note 9)	–	281,177
	9,475,251	8,278,655

32 Comparative figure

In prior years, the sales rebate was recorded as an expense under distribution cost in the profit or loss. Rebates should have been netted off against the revenue under FRS 18. Therefore, reclassification have been made to the prior year's financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

32 Comparative figure (Continued)

The items were reclassified as follow:

	As restated 2012 RMB	As previously reported 2012 RMB
<u>Consolidated statement of profit or loss and other comprehensive income</u>		
Revenue (Note 4)	1,632,387,153	1,640,258,626
Distribution cost (Note 21(b))	166,264,817	174,136,290
<u>Distribution cost</u>		
Sales rebate (Note 21(b))	–	7,871,473
<u>Geographical segment (Note 28)</u>		
<u>Revenue</u>		
– China	976,447,667	984,319,140

33 Events after end of reporting period

The Company has on 1 July 2013 announced that it is proposing to spin-off its beverage business segment under its wholly-owned foreign subsidiary, Garden Fresh (HK) together with its group of subsidiaries (the “proposed IPO”) on an internationally recognised stock exchange. The proposed IPO process including the valuation of the convertible bonds is still in progress as at the date of the financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

SHAREHOLDERS' INFORMATION

<u>Class of Equity Securities</u>	<u>Number of Equity Securities</u>	<u>Voting Rights</u>
Ordinary Shares	587,344,828	One vote per share (excluding treasury shares)
Treasury Shares	Nil	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 17 MARCH 2014

<u>SIZE OF SHAREHOLDERS</u>	<u>NO. OF SHAREHOLDINGS</u>	<u>%</u>	<u>NO. OF SHARES</u>	<u>%</u>
1 – 999	3	0.22	474	0.00
1,000 – 10,000	490	35.82	3,402,268	0.58
10,001 – 1,000,000	849	62.06	70,907,000	12.07
1,000,001 and above	26	1.90	513,035,086	87.35
Total	1,368	100.00	587,344,828	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 17 MARCH 2014

	<u>SHAREHOLDER'S NAME</u>	<u>NO OF SHARES</u>	<u>%</u>
1	HSBC (SINGAPORE) NOMINEES PTE LTD	213,895,978	36.42
2	RAFFLES NOMINEES (PTE) LTD	132,119,016	22.49
3	DBS NOMINEES PTE LTD	34,286,392	5.84
4	MAYBANK KIM ENG SECURITIES PTE LTD	21,069,000	3.59
5	CITIBANK NOMINEES SINGAPORE PTE LTD	20,122,700	3.43
6	UOB KAY HIAN PTE LTD	19,119,000	3.26
7	DB NOMINEES (SINGAPORE) PTE LTD	13,557,000	2.31
8	DBSN SERVICES PTE LTD	8,439,000	1.44
9	TAN CHENG GUAN	5,000,000	0.85
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,893,000	0.83
11	BANK OF SINGAPORE NOMINEES PTE LTD	4,550,000	0.77
12	CHIA KEE KOON	4,440,000	0.76
13	OCBC SECURITIES PRIVATE LTD	4,099,000	0.70
14	SOCIETE GENERALE SINGAPORE BRANCH	3,437,000	0.59
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,415,000	0.58
16	CHAN KONG HON	2,824,000	0.48
17	PHILLIP SECURITIES PTE LTD	2,403,000	0.41
18	PHILLIP VENTURES ENTERPRISE FUND LTD	2,202,000	0.37
19	SINGAPORE NOMINEES PTE LTD	2,000,000	0.34
20	CIMB SECURITIES (SINGAPORE) PTE LTD	1,983,000	0.34
	Total	503,854,086	85.80

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	<u>Direct Interest</u>	<u>%</u>	<u>Deemed Interest</u>	<u>%</u>
Huang Yupeng	235,696,560	40.13	–	–
Asdew Acquisitions Pte Ltd	42,708,000	7.27	–	–
Wang Yu Huei	–	–	42,708,000 ¹	7.27

Note:

¹ Deemed interest arises from shares held by Asdew Acquisitions Pte Ltd

The percentage of shareholding above is computed based on the total issued shares of 587,344,828.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 17 March 2014, approximately 50.56% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED (“the Company”) will be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 323 Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 28 April 2014 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2013 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

Mr Huang Yupeng	(Retiring under Article 91)	(Resolution 2)
Ms Huang Yushan	(Retiring under Article 91)	(Resolution 3)
Mr Wong Chee Meng, Lawrence	(Retiring under Article 97)	(Resolution 4)

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$125,000 for the financial year ending 31 December 2014 to be paid half-yearly in arrears. (2013: S\$115,000) **(Resolution 5)**
4. To re-appoint Foo Kon Tan Grant Thornton LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

7. Authority to issue shares under the Sino Grandness Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant options (“Options”) under the Sino Grandness Employee Share Option Scheme (the “Scheme”) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board

Chew Kok Liang/Wong Chuen Shya (Huang Chunxia)
Company Secretaries

Singapore, 10 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Huang Yupeng will, upon re-election as a Director of the Company, remain as an Executive Director and Chairman of the Board.

Ms Huang Yushan will, upon re-election as a Director of the Company, remain as an Executive Director.

Mr Wong Chee Meng, Lawrence will, upon re-election as a Director of the Company, remain as a Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Wong Chee Meng, Lawrence will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

- (ii) Resolution 7, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) Resolution 8, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00 Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

(Company Registration No. 200706801H)
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

- For investors who have used their CPF monies to buy Sino Grandness Food Industry Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____ (Name) NRIC/Passport No.* _____

of _____

being a member/members* of Sino Grandness Food Industry Group Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 323 Level 3, 1 Raffles Boulevard Suntec City Singapore 039593 on 28 April 2014 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2013		
2	Re-election of Mr Huang Yupeng as a Director		
3	Re-election of Ms Huang Yushan as a Director		
4	Re-election of Mr Wong Chee Meng, Lawrence as a Director		
5	Approval of Directors' fees amounting to S\$125,000 for the financial year ending 31 December 2014 (2013: S\$115,000)		
6	Re-appointment of Foo Kon Tan Grant Thornton LLP as Auditors		
7	Authority to allot and issue new shares		
8	Authority to issue shares under the Sino Grandness Employee Share Option Scheme		

Dated this _____ day of _____ 2014

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

*Delete where inapplicable

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified. If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00 Singapore 068898 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

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Guangdong Province
The People's Republic of China